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NEWS SUMMARY

GENERAL

Vaccine victim's father sick

The father of Birmingham smallpox victim Mrs. Janet Parker was one of two people admitted to isolation hospitals in the West Midlands at the weekend.

Mr. Fred Whitcombe had complained of slight nausea and he had been in contact with Mrs. Parker, who worked in a laboratory housing smallpox vaccine. Mr. Reg Wickett, an engineer who worked in the same hospital block, is also in isolation.

Rhodesian plane goes missing

An Air Rhodesia Viscount carrying 56 passengers and crew is missing near the border with Zambia. It reported the loss of both starboard engines soon after taking off from Kariba carrying holidaymakers back to Salisbury.

Riot in Rome

Petrol bombs were thrown and cars set on fire near St. Peter's Square as police fought with Left-wing demonstrators just before the formal installation of Pope John Paul. The protest was aimed at President Videla of Argentina.

Labour's choice

Labour has chosen Mr. John Home Robertson, 29-year-old farmer, as its candidate in the Berwick and East Lothian constituency left vacant by the death of Professor John Mackintosh.

Earth tremors

The strongest earth tremors recorded in southern West Germany since 1943 damaged a number of buildings but there were no casualties. The worst tremors were in Baden-Wuerttemberg and they were felt in East Germany and parts of eastern France.

Tehran battle

Four banks and a library were set on fire in Tehran in the latest battles between Iran religious groups and the military police. The government's latest move to placate Moslems involves a ban on the sale of pornography.

Menten retrial

The retrial of Dutch millionaire Pieter Menten opens in The Hague today. Menten, 79, was convicted last December of killing Jews during the Nazi occupation of Poland but the 15-year sentence was quashed on a technicality.

Seamen leave

Sixteen Indian seamen who spent a month in London's Pentonville prison are on their way home to Bombay. The men were kept in jail after a sit-in on their ship to protest over pay. The Home Office said they had definitely not been deported.

Lost in the translation

A Rome restaurant which is renowned for the way its waiters insult diners is counting the cost after a group of South Americans misunderstood the custom and started a fight. Several people needed hospital treatment.

Briefly . . .

Steve Ovett of the UK won the 1,500 metres at the European championships in Prague.

Sir Emile Littler's Tempus Fugit won the FFr 204,000 (£23,000) Prix de la Nonette for three-year-olds at Longchamp.

Baby boy, 18 months, died when a car burst into flames at Chatham, Kent.

Weekly Premium Bond £50,000 prize went to Wolverhampton owner of Bond ZN 421910.

Weekend flights backlog caused by the French controllers strike should be cleared by tomorrow.

Gerald Lascelles, a cousin of The Queen, plans to marry actresss Elizabeth Colvin.

BUSINESS

Japanese economic package approved

● A PACKAGE of economic measures worth Y2,500bn (£6.7bn) has been approved by a committee of economic Ministers in the Japanese Cabinet.

The package is designed to raise the country's gross national product by 1.3 per cent and fulfil promises made at the Bonn economic summit.

The committee also reaffirmed Japan's overall target growth of 7 per cent for the current fiscal year. Back Page

● EEC Monetary Committee meets in Paris this week to produce detailed proposals about how the suggested EEC currency stabilisation scheme would work in practice. These proposals will be considered by EEC Finance Ministers, in preparation for the Heads of Government summit in December. Back Page

● GILT-EDGED market is looking for an easing in the position of banks under the official corset controls and an improvement in control of the money supply in the banking figures, due to be published tomorrow. Page 4

● WEST EUROPEAN plastics producers, faced by mounting losses, are expected to launch a new initiative at the start of next month to push up prices of low density polyethlene, one of the most widely used commodity plastics. Back Page

● BRITISH AEROSPACE chairman Lord Beswick warned that if French objections prevented the U.K. from formally rejoining the Airbus Industrie to help develop the A-310 airliner, the British group would reconsider collaboration with the U.S. Back Page and Editorial Comment, Page 10

Petrochemicals plan delayed

● PLANS to develop the Cromarty Firth in Scotland for petrochemicals have been set back, because oil and gas companies are reluctant to guarantee the necessary feedstock supplies to the Firth. British Gas is planning to drill the first wildcat exploration well in the English Channel later this year. Page 4

● DEPARTMENT of Industry expects to receive this week a specially commissioned report from RTZ Consultants about the future viability of the Wheal Jane tin mine near Truro, Cornwall. Page 4

● BRITAIN is in danger of being left behind in a general economic upturn, with little scope for reflationary action by the Government next year, according to stockbrokers Phillips and Drew. Page 4

● NEB, considering major new investment in the UK electronic office equipment industry, has been advised in a commissioned report that it must create an organisation to market the systems, at a cost of £10m. over the next five years. Page 4

● ITALY plans to repay ahead of schedule debts totalling $1bn contracted with the EEC. The decision follows talks between the Italian Treasury Minister and the EEC vice-president. Page 2 and Editorial Comment, Page 10.

● SCOTTISH ambulancemen are expected to end their four-week blacking of Bedford CF25 and CF28 ambulances this week, after an ultimatum from the service's management that they would be sent home without pay. Page 4

COMPANIES

● ASSOCIATED Pulp and Paper Mills of Australia increased profits by 50.3 per cent to a record A$9.47m ($10.7m) in the year to June 30 this year. Page 21

● LITTON INDUSTRIES sustained a post-tax loss of $90.84m for the year ended July 31, following the settlement of claims for additional payments on contracts for naval warships. This compares with $55.9m profit in 1976-77. Page 21

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FEATURES

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TUC stays loyal to Callaghan but opposed to 5%

BY CHRISTIAN TYLER, LABOUR EDITOR

The annual Trades Union Congress opens in Brighton today in tense anticipation of the General Election that many believe will be announced by the Prime Minister next week.

Union leaders, already preparing an unprecedented joint campaign in support of Labour, continued yesterday to repeat their dislike of the 5 per cent incomes policy on which Mr. James Callaghan will go to the country.

The Prime Minister, who met the six senior TUC leaders at his Sussex farm on Friday night, has been left in no doubt that his decision to impose another pay ceiling will be opposed by a big majority of the TUC's 112 affiliated unions on Wednesday.

But he will also have been assured that he can count on a big display of loyalty and support when he addresses the 1,170 delegates tomorrow.

A long composite motion on pay policy has been prepared for debate. The unions most determined to restore free collective bargaining interpret it as a strong attack on Phase Four.

Those who want the TUC to keep some restraining influence over pay deals are declaring themselves satisfied, since the attack is qualified by a recommendation that negotiators should look at elements other than straight pay when they meet employers this winter.

Significantly the motion talks about containment of unit labour costs, a hint at self-discipline exercised through the TUC that may give rise to problems on the day.

Mr. Moss Evans, general secretary of the Transport and General Workers' Union, said there was no ambiguity. His delegation was satisfied that the motion squared with the union's commitment to bring back normal bargaining.

The reference to containment, he said, meant that unit labour costs should be reduced by companies increasing their investment spending. He denied that the motion conflicted with the TUC campaign for a shorter working week throughout industry.

Although the accent everywhere is on "responsible" rather than merely "free" bargaining, union leaders do not mean that the 5 per cent limit will be observed.

Mr. Hugh Scanlon, retiring president of the Amalgamated Union of Engineering Workers, said yesterday that engineering workers had very readily accepted 10 per cent during Phase Three "but," he said "It's going to be much more difficult for any Government to maintain anything like 5 per cent when inflation is hovering around 8 per cent."

Priorities

On ITV's Face the Press Mr. Evans also made clear that his union had no intention of keeping to 5 per cent.

Mr. Len Murray, TUC general secretary, stressed that the proposed list of bargaining priorities was "in no sense an instruction," only a request that unions put these items high on their negotiating agendas.

The miners, who have agreed to drop the words "social contract" from their attack on the Government's policy, will now move the composite motion on Wednesday.

The motion itself protects the special relationship by saying that the Government should concentrate not on pay restraint but on "developing agreement with the trade union movement on the economic strategy and social priorities."

It declares opposition to policies of intervention and restraint of any kind and the use of sanctions against offending companies.

It says: "Congress instructs the General Council to oppose any arbitrary pay limits and insists that there must now be a return to normal and responsible collective bargaining—based on a containment of unit labour costs and parallel improvement of living standards so as to allow trade unions to carry out their proper tasks—which is the only fair and practical method of setting remuneration levels."

The bargaining priorities should be a 35-hour week, cuts in overtime, more holidays and improvement of living standards.

There should be "meaningful low pay targets relevant to each industrial situation."

There should be just and adequate differentials, especially in jobs with a career ladder, and restoration of eroded differentials.

Where appropriate there should be long-term agreements designed to establish pay and efficiency "at highest European levels."

The motion finally calls on the General Council to make sure that public-sector workers are not discriminated against in wage bargaining.

Richard Evans writes: Mr. Callaghan's speech to the TUC tomorow is expected to be a rallying call to the whole Labour movement to support the economic policies of the Govern-

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Changing the guard at the TUC Page 10

BL strikers' expulsion confirmed by union

BY ALAN PIKE, LABOUR CORRESPONDENT

THE Amalgamated Union of Engineering Workers' executive last night confirmed the expulsion of 32 unofficial strikers at BL but made a final attempt to avoid the consequences of carrying out the decision.

Before the expulsions take effect, the union will again try to call a meeting of the strikers and order them to return to work.

If this initiative fails—and indications last night were that it would—the expulsion decision means that BL could be facing a repetition of last year's highly-damaging toolroom strike, possibly beginning by the end of this week.

Effective

The strikers, who work in the tool-room of the company's SU fuel system factory in Birmingham, have repeatedly defied instructions to end their month-long stoppage in support of a £7-a-week claim to give them parity with the Rover tool-room.

Leaders of the unofficial committee, which led last year's tool-room strike, have said that, as soon as the expulsion decision—made on August 24 by the union's Birmingham East district committee — becomes effective, they will urge all BL toolmakers to strike again.

The executive in Brighton last night instructed the district committee to call another meeting immediately and will today send registered letters to the 32 strikers, telling them to attend and obey the instruction to return to work.

However, Mr. George Regan, the strikers' shop steward, said last night that he expected the executive's move to be a wasted exercise.

"It will change nothing," he said. "We have felt unable to comply with previous instructions to return to work, and I do not think it will be any different this time."

The executive decided to delay the operation of the expulsion decision in order to demonstrate to the entire AUEW membership its desire to find a solution to the problem.

Mr. Hugh Scanlon, president, said the executive was concerned to indicate to the membership that it was not acting in a provocative way and was doing everything possible to avoid operating the decision. But, if the new initiative failed, it would be implemented forthwith.

The decision appears to represent something of a compromise between executive members who believed that the expulsion should have been confirmed without qualifications and those who have doubts about the possible implications of such a decision.

The unofficial tool-room committee, which has issued the strike threat if the 32 men are expelled, is also attempting to extend the dispute to the entire skilled membership of the AUEW, and, if it succeeded, the implications would be very serious indeed.

However, executive members have made it clear that they see the tool-room committee as a challenge to the official leadership of the union, and they had left themselves with little option but to confirm the expulsions at last night's meeting.

Breathing space

The decision to make one more approach to the strikers provides the executive with a breathing space, but, in view of their likely reaction, little else.

The only other chance of avoiding the strike being carried out would seem to rest on tentative calls which have been made to bring forward BL's pay parity scheme, which is due for full implementation in November, 1979.

While this is theoretically possible, it has not been developed into a firm proposal.

Begin and Sadat clash on eve of Camp David summit

BY OUR OWN CORRESPONDENT — TEL AVIV, Sept. 3.

MR. MENAHEM BEGIN, the Israeli Prime Minister, set off for the U.S. today for Tuesday's crucial Middle East summit at Camp David following a last-minute clash of views with President Anwar Sadat, of Egypt.

The two leaders differed sharply over the weekend when Mr. Begin, in a major television address to Israelis, said he did not regard the meeting at President Carter's retreat as a last-ditch chance for peace. He added that he envisaged negotiations carrying on for months after the Camp David summit.

This drew a sharp rejoinder from the Egyptian leader, who sets off for the U.S. tomorrow. He said he viewed the meeting as indeed a last chance turning point, and would not agree to spin out the talks.

Mr. Begin left Tel Aviv with his Foreign and Defence Ministers and a senior team of officials for New York, where he will spend two days before going on to Washington.

The Israeli Premier, who has so far refused to soften his hard-line stand on most key issues likely to dominate the talks, was given a massive demonstration of the belief among a growing number of Israelis that their Government must show flexibility in these negotiations.

Over 100,000 people from all over Israel demonstrated in Tel Aviv's municipal square on Saturday calling on both leaders to show moderation and make concessions. This is the largest demonstration of its kind here ever, and is a dramatic demonstration of the new "Peace Now" movement's gathering strength.

U.S. pressure

Mr. Begin and his ministers have been at pains to curb the expectation of President Sadat that U.S. pressure, in the privacy of the presidential mountain retreat, can produce a magical breakthrough.

In his television address, Mr. Begin reminded his audience that problems such as Vietnam and the Panama Canal had taken many years of painstaking negotiations.

He went on to propose to President Sadat: "Let us resolve at Camp David that after the end of that conference negotiations will be conducted over a few months, every day except Friday and Saturday, and we will deal with the conditions for peace until we can declare to our peoples, 'The wars have ended.'"

Mr. Begin insisted that the fate of the Israeli people did not depend on Camp David. "Our people lived thousands of years before Camp David, and will live thousands of years after Camp David," he said.

He appeared to have resigned himself to the knowledge that his limited autonomy plan for the West Bank and Gaza was unlikely to bring agreement at the summit. His hopes seemed pinned on achieving an ambiguous compromise formula which would open the way to step-by-step bargaining, a process he dearly relishes.

Judging from the public utterances of Mr. Sadat, the prospects for such long-term haggling to not appear bright.

UK car imports reach record

By Terry Dodsworth, Motor Industry Correspondent

A NEW RECORD for UK registrations of imported cars is almost certain to have been achieved in August during the best sales month the industry has ever experienced in Britain.

Although the official figures will not be available until later this week, preliminary indications are that imports have captured between 53 and 54 per cent of the total market. This compares with the previous high of 50.8 per cent achieved in August last year.

Overall, sales are likely to come out at a little under 250,000 units, easily exceeding the previous high of 234,000 cars in August, 1973.

A high level of import sales was expected for the month because August traditionally favours foreign manufacturers.

But this new surge from the importers also brings further evidence of the failure of the British producers to halt the move away from UK-made products.

The main factors are the continuing weakness of BL Cars, the high level of imports by the UK's three multinational producers, and the growing strength of importers who until very recently had only a marginal presence in the British market.

Among the smaller manufacturers, for example, both Citroen and Peugeot, the two constituent companies in the group now bidding for Chrysler's European interests, have broken through the 2 per cent market share barrier, with 2.1 and 2.6 per cent respectively. Volvo also surged forward last month to well over 2 per cent of the market.

BL's share, at a little over 23 per cent, was better last month than in July, when its registrations accounted for only 21.4 per cent. Even so, it managed to keep only slightly ahead of Ford (22.8 per cent) in a month in which it normally easily outdistances the Dagenham-based company.

BL had been hoping for at least another percentage point in the month after a big effort to build up stocks in anticipation of the best sales period of the year.

Among the importers, Datsun, the Japanese group, maintained its leading position with almost 7 per cent of the market.

It was followed by Fiat with a little less than 5 per cent, Renault with about 4.5, and Volkswagen with a little more than 4 per cent.

Among the UK groups, Ford was the largest importer, bringing in about 9 per cent of the cars sold in the month from its associate Continental plants.

FT SURVEY OF BUSINESS OPINION

Spending surge boost for industry

FINANCIAL TIMES REPORTER

THE UPTURN in consumer spending is now working through to make a noticeable impact on industry's order books and output hopes.

The latest Financial Times survey of business opinion, published this morning, is more optimistic about short-term demand prospects than it has been for 18 months.

This has been reflected both in a marked rise in the trend of new orders in the last four months and in improvements in the indicators of recent deliveries and expected output.

The survey also reveals an overall increase in the level of business confidence, both in individual company prospects and in prospects for the economy as a whole. Higher demand appears to be the most important influence but industry appears to be cautiously optimistic about the outlook for inflation.

The opinions shown by the survey are in line with signs of a rise in the level of manufacturing activity indicated for the first time in the August monthly trends inquiry of the Confederation of British Industry.

The CBI noted a modest recovery both in demand, especially for consumer and capital goods, and in the expectations of companies about the volume of output over the next four months.

The evidence from these two surveys that the rise in consumer demand is at last working through to manufacturing sales contrasts with the experience of the first half of this year, when there was a patchy rise in industrial output and a big jump in imports.

The guarded optimism of these surveys about short-term output prospects is in no way inconsistent with the many economic forecasts pointing to a slowdown in the rate of growth of both demand and output after the end of this year. It is merely that the time-scale is different.

A slight contrast exists between the CBI and Financial Times surveys over export prospects. The CBI reported a deterioration in export order books, notably in the consumer goods sector, compared with the recent past, while the Financial Times survey shows almost no change in expectations for exports over the next year.

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The Financial Times survey, which this month covers non-electrical engineering, brewing and distilling, and the paper and connected industries, also indicates a continued high level of planned capital investment.

On inflation, the survey suggests that, while no companies expect wage rises in the next year to be less than the Government's 5 per cent guideline, they are more optimistic about the outcome than at the start of the Phase Three pay round in the summer of last year.

Non-electrical engineering companies, for example, are projecting median wage rises of 12.6 per cent in the next 12 months compared with the increases of 15.5 per cent expected in August 1977.

Industry generally is also expecting a continued single figure rate of price inflation in the next year.

Carter assurance on wage curbs

BY DAVID BUCHAN — WASHINGTON, Sept. 3.

PRESIDENT CARTER has sought to reassure U.S. union fears that wage and price controls might soon be imposed and that recent interest rate increases would drive unemployment up.

In an interview with labour newspaper editors released today Mr. Carter said that, despite his guess that a majority of Americans would favour mandatory controls, "I am philosophically opposed to them and will not impose such controls unless our nation faces a very serious emergency or crisis."

Both unions and the business community judge previous wage and price controls, such as instituted under President Nixon, to have been a failure and strongly resist any return to them.

But new measures—short of compulsory controls—might be needed if inflation, already at an annual rate of over 10 per cent in the first half of 1978, got any worse, the President said.

His top inflation-fighting official, Mr. Robert Strauss, who has recently shown growing signs of frustration in implementing the present totally voluntary anti-inflation policy of the Administration, has hinted some new measures might be ready by early October.

U.S. denies anti-NATO Bonn plan

By Jonathan Carr

BONN, Sept. 3.

THE U.S. Government has denied reports that it has indications of a plan, allegedly formulated by a top Bonn political official, envisaging West German withdrawal from NATO.

The Bonn Government announced today that the denial had been passed on to it by the American Embassy, following suggestions in the media that such a plan had been revealed to the CIA by a Romanian defector to the West.

According to the reports, Mr. Ion Pacepa, a high-level Rumanian Government official who vanished last month in Cologne, had passed on revelations of espionage in Bonn and of a so-called "*Bahr plan.*"

According to this Herr Egon Bahr, the business manager of the ruling Social Democrat Party (SPD), was supposed to have drawn up a scheme for withdrawal from NATO in return for re-unification of Germany and a Soviet non-aggression pact.

The Bonn Government said the Americans denied having "either documentary or any other evidence from any source at all" referring to such a plan.

Herr Bahr's personal aide, Herr Joachim Broudre-Groeger, was officially announced last week to be under investigation in connection with spying allegations. An SPD parliamentarian, Dr. Uwe Holtz, has also had his office searched by officials involved in the same investigation.

The federal attorney's office is now also probing how some details of its investigation, including the names of those they wished to question, came to be revealed in the Press

Both the SPD and the opposition parties have been vigorously trading charges in connection with the spying affair. Herr Foreign Minister, has appealed to all not to allow the matter to become mixed up in the current provincial election campaigns.

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'Major new oil find' off Alaska

BY ROBERT GIBBENS

MONTREAL, Sept. 3.

EXTENSIVE testing is to be carried out in the Beaufort Sea, north of Alaska, in an effort to establish whether a major new oil find has been made.

This follows intense speculation that Dome Petroleum may have discovered another "Prudhoe-Bay" in the deeper waters of the Beaufort Sea above the *Mackenzie Delta*.

It will take from two to four weeks for Dome Petroleum to complete the two wells which caused all the excitement in the stock markets and the oil industry on Friday. Both the Konapark M-13 and the Ukalerk 2C-50 wells have reached more than 12,000 ft towards the targeted 14,000 ft.

Both Dome-Petroleum and Gulf-Canada, which farmed into the Dome acreage on an individual well basis last year, issued statements attempting to calm the stock market and dampen down rumours in an excited Calgary that "another Prudhoe-Bay" had been found.

Both said hydrocarbons have been found but nothing can be said about possible reserves or early June till early October, whether they are commercial until extensive testing has been completed. However the industry and the market will be watching intently for any further statements that may be made on completion of the wells. The Konapark M-13 is of special interest and it lies below 120 feet of water about 40 miles due north of the gas finds which Imperial, Gulf-Canada and Shell have made to the east sides of the Mackenzie Delta. The Ukalerk well lies in deeper water about 30 miles north west of the Atkinson Point oil discovery of Imperial Oil (Exxon) in 1971. This was the first oil find in the Arctic areas. Ukalerk, lies to the north east of the delta, and east of the main supply port used by Dome in its Beaufort drilling programme.

Some oil-industry sources in Calgary are speculating the dome hydrocarbon find — it is presumed to be oil — may be comparable to the Prudhoe-Bay find in 1968. There is no way of knowing this; and a program of ten to 20 wells would have to be drilled to prove it. The drilling season in the deeper waters of the Beaufort is limited from even under the extended program agreed to recently by the federal-government. Dome has proposed extending the season by building a heavy-icebreaker, but negotiations for government support had been broken-off.

To the north of the Dome acreage lies a heavy *concentration* of permits held by Siebens-Oils and Gas Ltd.—the land-holding company which is effectively being taken over by Dome with the support of the Canadian-National Railways pension fund. The proximity of this acreage is now being cited as a major reason for the deal.

The initial proven reserves found by Atlantic-Richfield, Exxon and British-Petroleum-Sohio in the Prudhoe Bay area were nearly 10bn barrels of medium-gravity oil and more than 20 trillion (million million) cubic feet of gas.

The Dome acreage of special interest in the Beaufort Sea is about 160 miles long and 30 to 40 miles deep. A hole to test the deep eastern-extremity is planned in co-operation with another major western oil-*company*.

U.S. airline mergers face anti-trust move

BY JOHN WYLES

NEW YORK, Sept. 3.

THE WAVE of merger proposals which are seeking to change the face of the U.S. airline industry may well run into opposition *from the Department of Justice.*

The department, which is the guardian of U.S. anti-trust laws, has filed a petition to intervene in the three merger cases which will be considered by the Civil Aeronautics Board. No merger can be completed without CAB approval and the agency is expected to deliver a decision in the cases pending by next March.

Mr. John Shenefield, Assistant Attorney General for anti-trust at *the Department of Justice*, said at the weekend that the department was concerned about possible anti-competitive effects of the current airline merger movement. But he stressed that the department had not yet completed its evaluation of the competitive implications of the proposed mergers and had not yet reached any conclusions.

CAB procedures require quasi-judicial hearings on the proposed mergers before an administrative law judge. So far, judges have been appointed to hear the request by Texas International *Airlines to seek control of* National Airlines and the merger agreement between North Central Airlines and Southern

The CAB has not yet appointed a judge to examine the merger agreement, announced last Thursday, *between Pan American* World Airways and National Airlines, and it now seems likely that this will be consolidated with the Texas International case.

The CAB has also not yet *moved on the merger agreement* between Continental Airlines and Western Airlines.

The effects on competition of any consolidation will be just as keenly examined by the CAB as it will by the Department of Justice.

In all of the merger cases now pending, the airlines involved are not significant competitors, and many observers believe that the CAB would prefer to see how the industry develops under greater de-regulation of its activities before any contraction is approved.

In particular, it is expected that airlines will from next year have much greater freedom to move in on each other's routes, and while anxiety about this prospect is a factor in at least the Continental-Western agreement, the CAB believes this more bracing climate will be good for the industry.

IATA warning on air fares

BY LYNTON McLAIN

MOVES IN the U.S. Congress to give greater freedom to U.S. Airlines at the expense of others could lead to opening confrontation between Governments, the International Air Transport Association said yesterday.

The International Air Transportation Competition Bill, number S3363, now before Congress proposes sweeping changes to the Federal Aviation Act 1958. These would affect the sovereignty of other Governments, Mr. Knut Hammarskjold, IATA Director-General, told Senator Howard Cannon, Chairman of a Senate Aviation Committee.

Air travel called for a common approach to international relations Mr. Hammarskjold said. He urged the U.S. to reaffirm a commitment to a policy of consultation and negotiation

The changes proposed by the U.S. would loosen regulation of airlines giving them unprecedented freedom. Airlines are to be allowed at their own discretion to cut air fares by up to 70 per cent on up to 40 per cent of their available route miles.

Brazil agrees to nuclear check plan

BY DIANA SMITH

RIO de JANEIRO, Sept. 3.

DIPLOMATIC representatives of the Brazilian, West German, British and Dutch governments have exchanged notes in Brasilia vouching to work jointly for a Plutonium safeguards supervisory system under the sponsorship of the International Atomic Energy Agency (IAEA).

The diplomatic exchange on sometimes difficult negotiations over supplies of enriched uranium from the Anglo-German-Dutch consortium of Urenco for Brazil's Angra 2 and 3 nuclear power plants which are to be equipped by Germany's Kraftwerk Union.

The four Governments will now join efforts to achieve one of two possible agreements. First, they will attempt to negotiate an agreement with the IAEA which would, in fact, cover supervision of Plutonium safeguards in all countries—not merely those involved in the Brazilian-German 1975 nuclear energy agreement. The new agreement would come into effect before the first Urenco shipments are made to Brazil, three or four years from now.

If this cannot be achieved in time, the four countries will then come to an ad hoc agreement, based on article 12-A of the IAEA's statutes, which would ensure a workable supervisory system.

Diplomatic sources in Brasilia indicate that the chances for a global IAEA plutonium supervisory agreement hinge on the worldwide movement of this material in the next few years.

Meanwhile, article 12-A of the IAEA statutes requires the agency's approval of the methods used for chemical treatment of radioactive material, in order to ensure that this treatment does not lend itself to military purposes and fits in with health protection and safety rules.

It also demands that special fissionable matter be used for purely peaceful purposes, and that all surplus matter beyond that needed for peaceful purposes be deposited in the agency's power, to avoid stock-piling.

Under this article, the IAEA would appoint inspectors to keep checks on the plutonium used by the countries in question. In case of violation or omission, the agency has the power to suspend all assistance and remove all nuclear matter and equipment used in a country's nuclear projects.

After the controversy in the Dutch parliament over Urenco supplies to Brazil, earlier this year, the four governments have sought a diplomatic means of ensuring that the supplies could be effected while also ensuring that a satisfactory supervisory system could be mounted.

Discussions on French method of enrichment

BY DAVID WHITE

PARIS, Sept. 3.

THE U.S. and West Germany are reported to be discussing a joint venture with France on the latter's "anti-proliferation" method of enriching uranium for nuclear reactors.

The chemical enrichment technology, announced by France in May last year at the time of the International Atomic Energy Agency's conference at Salzburg, is claimed to be unusable for the preparation of nuclear weapons. It therefore promises to bypass one of the thornier problems in the export of nuclear equipment and know-how.

The report coincides with recent signs that France may be backing out of its controversial agreement to supply Pakistan with nuclear reprocessing facilities, because of the strategic risk and the international bad odour that goes with it. The French Government last month asked Pakistan for additional safeguards, and the Pakistanis have accused the French of wanting to renage on the deal.

The French claim their chemical enrichment process, developed since 1968, is suitable for medium-sized facilities and thus for potential export markets in the developing world.

The usually well-informed newspaper Le Monde quoted 'safe" French sources as saying that talks between the three countries were under way and that they might lead to joint construction of a pilot plant, presumably located in France.

An agreement was possible, it said, even before the end of the year. It estimated the investment necessary to develop the process commercially at some FFr 100-200m ($25-50m) a year for five years.

One of the more significant aspects is the reported interest of West Germany, in the light of strong U.S. objections to the 1975 German-Brazilian nuclear package deal, which includes the transfer of enrichment technology. Under the agreement, this is to involve West Germany's experimental jet-nozzle process.

Italy plans immediate EEC loan repayment

BY PAUL BETTS

ROME, Sept. 3.

ITALY INTENDS to repay ahead of schedule its outstanding debts contracted with the European Economic Community totalling some U.S.$1bn.

The decision to pay back immediately all the tranches of Italy's EEC debts scheduled to mature by the end of next year follows talks here between Sig. Filippo Maria Pandolfi, the Treasury Minister, and Mr. Francois-Xavier Ortoli, the EEC Vice-President.

In view of the current high level of Italy's foreign currency reserves, the continuing monthly surpluses of the balance of payments, officially estimated to show a surplus of L3,000bn this year, the present stability of the lira, and the reduced if still high inflation rate, the Italian authorities feel that the present move will enhance the country's international credibility.

Earlier this summer, Italy also paid prematurely the remaining U.S.$1bn of a $2bn bilateral gold-backed West German Bundesbank facility granted in 1974.

The latest Treasury announcement comes concurrently with the decision to reduce by one point to 10.5 per cent the Italian Central Bank's discount rates, in a move generally regarded here as aimed at lending credibility to the Government's intention to enforce its long-awaited three-year 1979-81 economic recovery programme to be submitted to Parliament by the end of this month.

The programme aims at tackling the fundamental structural weaknesses of the Italian economy. In particular the country's ever-growing public sector borrowing requirements and rising labour costs, at the same time as promoting a higher sustained level of growth to generate employment.

The Government has committed itself to boost job-creating public and private investments, especially in the depressed south, in return for the consensus of the other political forces and the trade unions for a series of austere and unpopular measures.

The decision both to repay the EEC debts and to reduce the discount rates to encourage investments and a recovery of Italy's dwindling industrial output is seen here as above all a psychological gesture of goodwill on the part of the minority government to win the support of the trade union leadership and the political parties now supporting it.

Smith in search for best option

By Our Own Correspondent

SALISBURY, Sept. 3.

THE DISCLOSURE of Mr. Ian Smith's meeting in Zambia with Mr. Joshua Nkomo is both an *admission that his domestic* settlement has failed and that he is trying to find the best option among the guerrillas.

Word of the meeting came against a background of intensifying British and U.S. efforts to persuade the Rhodesian Prime Minister and the three black leaders joined with him in the Transition Government to go to a new western-sponsored settlement conference with the Patriotic Front guerrilla alliance led jointly by Mr. Nkomo and Mr. Robert Mugabe.

But Mr. Smith is known not to want to go to an all-party conference where he will be faced with a united Nkomo-Mugabe front holding out for the immediate reality of power, which means control over the army and police and their composition.

Assistants of the Rhodesian leader admit that he is stalling *on an all-party conference* decision because Britain, still technically the colonial power, is expected here to hold a General Election in October.

Mr. Smith hopes the Conservatives, traditionally more sympathetic towards him and moderate blacks, will win. In addition he does not want to let the Labour Government off the Rhodesian hook at election time by being able to point to a new peace conference in progress.

Despite their protestations to the contrary, there is little doubt that Mr. Smith and Mr. Nkomo—Rhodesia's two most seasoned political leaders—met behind the backs of their current partners.

The two main black leaders in the Transitional Government say they had only a vague idea Mr. Smith might go to Zambia. Bishop Abel Muzorewa and the *Rev. Ndabaningi Sithole* say Mr. Smith did not tell them about the meeting—thought to have been on August 21—or report back. Mr. Sithole, disturbed by the secrecy, leaked a partially accurate version of events last week.

Angry voices and official silence emerging from Saturday's *summit* in Lusaka of the five front-line states point to the Nkomo-Smith meeting *being news to Mr. Mugabe*, as well as the five African Presidents, except for Mr. Nkomo's patron, Dr. Kenneth Kaunda, the Zambian President.

The immediate repercussions appear to be graver for the unity of the Patriotic Front than that of the transitional government.

Despite six years of war to topple white minority rule, the Nationalist insurgents still operate as two *separate* armies basically on tribal lines—Mr. Nkomo's forces armed by the Soviets and based in Zambia, and Mr. Mugabe's fighters based in Mozambique and supplied mainly by Peking.

Bishop Muzorewa and Mr. Sithole, denounced by the guerrilla leaders and lacking their own armies, have little option but to stay in an administration currently kept alive by the white-led security forces and civil service.

Like Mr. Mugabe, they suspect an Anglo-American, Soviet and Zambian plan to instal Mr. Nkomo as leader of Zimbabwe.

Although the internal leaders have little in common ideologically with the pro-Marxist Mr. Mugabe, they all belong to the majority Shona tribe. Mr. Nkomo is widely regarded as the "father of black nationalism" here, but is from the minority Ndebele people.

Only Chief Jeremiah Chirau, the third black leader in the transitional government, has accepted the all-party conference idea.

Mr. Smith and Mr. Nkomo have tried to reach deals before, including an abortive settlement conference of just the two of them in Salisbury in early 1976. Their last reported meeting was a highly *secret affair in Lusaka last* September, which again fell through and Mr. Smith negotiated with the internal leaders.

WORLD TRADE NEWS

Fukuda visit may speed up Mideast industrial deals

BY CHARLES SMITH

TOKYO, Sept. 3.

MR. TAKEO FUKUDA will become the first Japanese Prime Minister to visit the Middle East when he leaves on Tuesday for a six-day tour of the region which will take him to Iran, Qatar, the United Arab Emirates and Saudi Arabia.

The object of the tour is officially to "study ways in which Japan can contribute to the national development of the countries to be visited." In reality Mr. Fukuda seems to feel that an attempt to consolidate and deepen Japan's relations with the region is long overdue, given the overwhelming dependence of the Japanese economy on Middle East oil.

Nearly 80 per cent of Japan's crude oil imports come from the Middle East with Saudi Arabia alone supplying about 30 per cent. There has been no hint of any dislocation in these supplies for the past four years but Japan passed through some awkward moments during the 1973 oil crisis when it appeared that oil supplies might be cut.

As it is, Japan's imports from the Middle East are worth more than its imports from any other major region of the world. Imports from Saudi Arabia alone were worth more last year than from the whole of Europe.

Japan has stepped up its exports to the Middle East to the point where, by 1976, it was the second largest supplier to every major country in the region except Iran (where it ranked third behind the U.S. and UK). The view seems to be held in Tokyo, however, that the scope for establishing an economic partnership with the area has still barely been explored. Japanese companies have held back on some proposals for joint ventures with Middle East governments (e.g. a petrochemical complex in Saudi Arabia to be built by the Mitsubishi group) because of doubts about the small size of local markets or about the lack of infrastructure.

Mr. Fukuda will probably announce the Japanese Government's willingness to back the Saudi petrochemical project during his visit. He is also expected to put forward proposals for a joint assistance programme to poorer Middle East countries combining Japanese technology (and presumably plant exports) with Saudi Arabian funds.

Unconfirmed Press reports suggest that the projects included on this programme include three in the Sudan (a fertiliser plant, cement plant and power transmission line) and one in North Yemen (a thermal power station).

The Saudi Arabian petrochemical complex, with a planned capacity of 300,000 tons of ethylene, will probably get Japanese Government backing to the extent of 15 per cent of the project cost with the remainder shared between Mitsubishi and Saudi participants.

Mr. Fukuda's four-country tour of the region was originally to have included a fifth stop, at Cairo. This has had to be cancelled because President Sadat will be attending the Camp David summit. The effect will be to weaken the political significance of the trip but not to undermine its economic significance to any great extent.

Mr. Fukuda starts his tour in Tehran where he will arrive on September 5. Talks with the Shah are scheduled for the 6th. He arrives in Doha on September 9th and in Abu Dhabi on the 10th, leaving the final two days of the tour for Saudi Arabia (September 11th and 12th). Foreign Minister Sonao Sonoda will accompany the Prime Minister.

SHIPPING REPORT

Decline in tanker freights feared

BY OUR SHIPPING CORRESPONDENT

OIL TANKER freights for very large crude carriers trading westwards from the Gulf have now slipped to the worldscale 30 mark following the flurry of higher rates early last month.

Owners are said to be reasonably satisfied with this position, but fear that in spite of their discipline in refusing to re-activate surplus tonnage during the rates mini-boom, freight rates will slip even further this month.

The extent of re-activation is revealed in figures from John I. Jacobs, which show 46.6 tonnes deadweight of tankers and combined carriers laid up at the end of August, compared with 48.3m tonnes deadweight a month earlier. This represents only a dozen ships.

There is still, in fact, some shortage of available tonnage in the Gulf and charterers have been forced to make inquiries in other areas such as West Africa, where rates have been boosted slightly as a result.

Dry cargo markets, both for period and spot trading, showed little change in quiet trading last week.

On the sale and purchase side the Chinese continue to be the most active buyers through their Hong Kong agency, Ocean Tramping. Last week they were reported to have acquired a geared car carrier/bulk carrier of 20,900 tons deadweight for $3.2m and two smaller single-deckers at $2.1m.

Korean buyers have also been seeking geared bulk carriers in the 20,000 tons deadweight range and C. Y. Tung of Hong Kong has bought a 270,000-ton deadweight ore-oil carrier for a reported price of $13.5m.

World Economic Indicators

INDUSTRIAL PRODUCTION
1970=100

					% change on year
	July '78	June '78	May '78	July '77	
U.S.	138.6	138.0	137.3	132.3	+4.8
	June '78	May '78	April '78	June '77	
U.K.	104.2	103.3	105.4	100.4	+3.8
France	126.0	127.0	131.0	127.9	−1.5
W. Germany	116.6*	120.2	121.3	119.6	−2.5
Holland	126.0*	123.0	129.0	126.0	
	April '78	March '78	Feb. '78	April '77	
Italy	121.7	130.4	119.8	124.0	−2.5
Belgium	123.4	119.6	109.5	122.7	+0.6
Japan	139.3	135.2	132.4	127.9	+5.8

* Provisional

Scandinavia to fight UK air threat

By Hilary Barnes

COPENHAGEN, Sept. 3.

THE UK is threatening to remove so-called fifth freedom rights utilised by Scandinavian charter airlines in traffic with the UK, according to sources here.

The UK's stance aims a strategic blow at the entire structure of the Scandinavian air charter industry.

The fifth freedom right means the right of an airline registered in country A to fly passengers between countries B and C as well as between A and B.

For the past 30 years the UK has accepted that the three Scandinavian countries comprise a single market, enabling Danish charter companies, for example, to fly direct to UK from Stockholm and Oslo as well as from Copenhagen.

If the UK condition were to be enforced, it would mean that Denmark's Sterling Airways, probably the biggest private operator in Europe, would have a substantial part of its customer base removed.

As Swedish shareholders do not have a majority holding in Sweden's two major charter carriers, Scanair and Transair, neither of these companies would be eligible to operate out of Sweden to the UK, according to sources here.

The UK position is dictated by the current negotiations on new air service agreements with the Scandinavian countries. The agreements were abrogated by the Scandinavians last year with effect from the end of 1978. A Scandinavian delegation will be in London on Monday and Tuesday to discuss the charter issue with Department of Trade officials.

Charter flights are not currently regulated by the air service agrement. The UK, however, wants scheduled traffic and charter traffic to be considered as a single market.

The Scandinavians however, do not accept that there is any link between charter and scheduled traffic and they do not accept that charter services should come under the terms of a future air service agreement.

Oil talks in Oslo

By Fay Gjester

OSLO Sept. 3.

SWEDEN AND Norway began talks in Oslo today on future deliveries of North Sea oil and oil products to Sweden.

Mr. Kurt Daehlin, a senior civil servant in Norway's Oil Ministry, is heading the Norwegian delegation.

The talks will cover amounts to be supplied, duration of the agreement, and what types of oil products, in addition to crude oil, the Swedes wan to buy.

NORTH-SOUTH DIALOGUE

Third World links strengthened

BY K. K. SHARMA IN BUENOS AIRES

WITHIN A few days, Third *World countries will have taken* a decision on the proposal for a permanent secretariat for themselves on the model of the OECD Secretariat in Paris.

Whatever form it takes, there should soon be in existence an organisation capable of data collection and research that provides the necessary inputs for dispersed moves made by the *Group of 77* (developing countries). When it is formed, it will be controlled by Third World countries in much the same way as OECD is by the Western countries and Comecon by the Socialist world.

The new institution will provide the teeth for the new movement for technical co-operation among developing countries, or TCDE as it is called by delegates from over 120 countries now attending a United Nations conference in Buenos Aires.

The first of its kind, a United Nations conference would ordinarily not be confined to the needs of a section of the members of the world organisation.

But it is being held because pressures for an orderly harnessing of resources of developing countries for the Third World itself has reached a crescendo as a direct result of the slow progress of the north-south dialogue.

The search for a "new international economic order" that began in 1976 is described by a Third World diplomat as having progressed from "a faint cry in the wilderness to a full-throated chorus" that is finding concrete expression in the Buenos Aires conference. Today, the conference will begin consideration of a detailed plan of action for exchange of technology, *increased trade, monetary and* financial arrangements and other institutionalised channels for what is loosely called "technical co-operation."

Hopes are that it will pave the way for new links among the Third World. Although OECD countries are taking part in the conference and there is a reluctance to say that there is a north-south *confrontation, conference* documents suggest just this.

A background note, *for* instance, points out that in 1975, out of the estimated world gross output of $6,207bn, market economy countries generated 67 per cent, the centrally planned economies generated 20 per cent while the developing countries yielded just 13 per cent.

"*Other indicators also support* the conclusion that, for the vast majority, the fruits of the material prospertiyt and technological progress of mankind in the latter half of the 20th century have been inaccessible," it adds.

The note points out further that the "share of developing countries in international trade is still no more than 25 per cent.

"Their share in world exports declined from 30 per cent in 1950 to 23 per cent in 1975. No *more* than 10 per cent of the world's industrial output and 35 per cent of its agricultural output originates in the developing countries." In other words, "the burgeoning growth and material prosperity that the world has sen in the past 30 years has barely touched the majority of mankind."

Hence the effort to institutionalise new exchanges that would not only insulate the *developing countries from the* fluctuations of world economic forces but also help them cope with the problems arising out of limited acces to the world capital markets, debt service payments and pressures from multinationals.

In sum, the developing countries taking part in the TCDC conference believe that "by *requiring the economically weak* developing countries to complete on virtually equal terms with the much stronger developed countries, the present world order only adds to developing countries' problems and tends to condemn them to underdevelopment indefinitely."

The detailed plan of action to be considered by the TCDC conference aims at correcting what are felt to be distortions in the north-south technical resources flow. This is thought to be quantitatively inadequate and "sometimes qualitatively oriented more towards the donor's rather than the recipient's needs."

The conclusion is based on the belief that the flow involves "an artificial grafting of over-*sophisticated technology* and alien values on less developed bases strongly characterised by indigenous values."

Hence the essential nature and distinctive character of TCDC lies in sharing the capabilities and capacities of developing countries by intensifying exchange of technology, experience and knowledge over a wide spectrum.

Based on national and "collective" self-reliance, TCDC aims at developing complementaries and, in th words of a conference spokesman, "consciously create, expand, pool, transfer, adapt and diffuse the knowledge of developing countries for the benefit of other developing countries."

Specifically, what is intended is developing of "appropriate technologies," setting up of joint information systems and data banks, organisation of co-operative projects or programmes, setting up joint ventures and new industries and of common infrastructure and services.

Clearly, the intention is immediately to replace what is taken from the advanced countries, although conference spokesmen say this will require their assistance and co-operation (and hence, they say, no confrontation is involved).

Yet they also add that while TCDC is complementary with traditional co-operation, "it avoids the donor-recipient relationship with its undesirable characteristics."

The aims are unexceptionable. The hurdles are most political. The assumption is that the developing countries are themselves united in this endeavour, *but this is clearly not so,* as informal and formal meetings of regional groups prior to the TCDC conference have shown.

The Latin Americans, for instance, are opposed to the institutionalised Third World secretariat and consequently this proposal could be blocked.

Results are probable on a regional, rather than a global, basis. But even if this is all *that materialises, for the south* an important beginning will have been made.

Taiwan invitation to ICI

BY KEVIN DONE

ICI has been asked by Taiwan to take part in a £50m-to-£60m joint venture to manufacture plastics. The Taiwan Government is seeking partners for the next development stage of its petrochemical industry and has approached several other chemical companies.

Dr. Phillip Harvey, ICI main board director, said yesterday that the project was still at a tentative stage. It would have to be evaluated with investment proposals for other countries and many different products.

ICI is interested in Taiwan as a fast-growing local market. It believes that a market share can best be established through local manufacture, which would offer, in turn, better prospects of increasing exports from Britain.

ICI already has two small manufacturing plants in Taiwan. The most important is a £15m, 15,000-tonnes-a-year methyl methacrylate plant, which comes into production this year. The chemical is used to manufacture clear plastics. The plant is owned 60 per cent by ICI in a joint venture with the China Petroleum Development Corporation. ICI's other plant in Taiwan is a £2m paint factory, *which is wholly owned.*

Taiwan is planning to build a fourth ethylene plant—the cracker which is at the heart of a modern petrochemical complex—to come on stream in 1982, and it is seeking companies to manufacture the downstream products, such as plastics.

The Government's approach to ICI concerns a polypropylene plant, with a probable capacity of about 60,000 tonnes a year.

Contracts

● Orders totalling £8.5m for Leyland trucks and buses from customers in the Far East, New Zealand, *Egypt and Sri Lanka* have been received in the past two weeks by the overseas division of Leyland Vehicles. The new orders include 150 double deck buses for Hong Kong, 50 Marathon trucks for use in Egypt, 700 trucks for Sri Lanka, 28 city buses for New Zealand and 65 trucks for Malaysia.

● A £5.5m export order for 16m *insecticide aerosal units for Iran* has been won by Aerosols International, which has plants at Bracknell, Berks, and Wellington, Somerset.

● With two orders worth nearly £1.5m International Computers has sold its first model 2904/50 in Czechoslovakia—also its first in Eastern Europe—and has also considerably increased the capacity of its largest System 4 user in Czechoslovakia. The 2904/50 is for VHMP—Vystavba Hlavniho Mesta Prahy, part of the Prague City Council.

● Comau, the machine tool subsidiary of Fiat, has won an order worth around £2.07m from BMW for a welding system to be installed at the West German group's Dingolfing car plant. This is the biggest export order received by Comau since it was reorganised as a separate division within Fiat. Smaller orders have been received from Opel, the *General Motors* subsidiary, and Ford Europe.

● Siemens said it had obtained a DM 145m order to supply three steam generators to Brazil as part of a DM 500m contract awarded to a European consortium. The contract is for the Itaparica steam power station in east Brazil. The Siemens portion also includes transformers and *switchgears, as well as control* and protection equipment.

HOME NEWS

Position of banks expected to ease

BY MICHAEL BLANDEN

THE gilt-edged market is looking for an easing of the position of the banks under the official corset controls and an improvement in control of the money supply, in the banking figures due to be published tomorrow.

The mid-August statistics are the first of a series of three lots which count towards any penalties the banks will suffer for exceeding the corset limits on the growth of their interest-bearing eligible liabilities.

There have been indications already that the pressures began to ease during August. Mr. Robert Leigh Pemberton, chairman of National Westminster, indicated last month that, after being well over the corset limits in mid-July, the clearing banks had found it possible to cut back.

This implies that some of the distortions in the money market which had earlier pushed up the banks' deposits were being unwound. Some banks may still be in the area which would incur the less severe penalties under the corset, but the overall figures are expected to show a significant improvement.

The market is also expecting some reduction in the total of the banks' eligible liabilities, the main, though not always very reliable, pointer to the growth of the sterling money stock on the wider definition.

The August official reserves figures, due today, will show the effects of some official payments, including a $150m repayment of overseas borrowing by the National Water Council, but are otherwise not expected to show major movements.

M25 route inquiry urged

By Ian Hargreaves, Transport Correspondent

OBJECTORS TO the planned M25 outer orbital motorway around London call today for a single public inquiry into the remainder of the scheme, rather than disjointed hearings on small sections.

The plea comes on the eve of the inquiry into the Swanley-Sevenoaks section which takes the road through what protestors regard as some of the route's most environmentally sensitive territory.

A report from the M25 Co-ordinating Committee, which represents amenity and environment groups, says the 118-mile road could cost £500m and that the scheme has never been properly justified.

Parties aim denied

ORGANISERS of the Campaign Against Building Industry Nationalisation, have denied suggestions that their anti-nationalisation drive is being concentrated on marginal Parliamentary constituencies and that its true aims are party-political, not industrial.

Cartoons campaign

A SERIES of cartoons attacking nationalisation and praising free enterprise are to appear in national newspapers today as part of an advertisement drive by Aims, the free-enterprise ginger group.

More jobless

UNEMPLOYMENT in the building industry has been aggravated by the tax certificate scheme designed to curb "the lump," casual employment, according to a report for the Conservative-backed Small Business Bureau.

Petrochemical plan set back by feedstock problems

BY RAY PERMAN, SCOTTISH CORRESPONDENT

PLANS TO develop a petrochemicals site at the Cromarty Firth on Scotland's east coast have been set back by the reluctance of oil and gas companies to guarantee the necessary feedstock supplies.

The combination of deep water, flat land and proximity to the North Sea fields makes it one of the finest industrial sites in Europe.

The Department of Energy and local agencies have been promoting the area, but, in spite of considerable interest by several major groups, efforts to secure a commitment to bring a pipeline into the Firth have failed.

One pipeline is already planned by Masa Petroleum, which is building a terminal to handle crude from the Beatrice Field. But the partners in the project are understood to want all the oil for trading.

The latest hope of feedstocks for downstream activities was through a pipeline from the central sector of the North Sea.

It has now foundered after a discouraging response to a circular designed to test opinion sent by the Energy Department to companies involved in sector 16—which includes the Brae, Toni and Thelma fields.

As a result, Marathon, the operator on Brae, has slowed down its talks with the American-owned Cromarty Petroleum, which wants to establish a petrochemical complex.

The two companies, which have been negotiating for nine months, are still in touch, but the likelihood of an early agreement on supply and processing is slight.

Cromarty Petroleum, a subsidiary of the New York tanker group, National Bulk Carriers, abandoned plans earlier this year to construct a refinery at Nigg, at the mouth of the Firth.

It has now submitted a "position paper" to the Energy Department outlining a 10-year development on its site, progressing from a marine terminal and storage tanks through to gas and oil processing and petrochemical production.

The company is looking for a joint venture or involvement of some kind with other companies and the project could be worth more than £1bn. However, it depends on a supply of gas and oil which is so far not forthcoming.

The Highlands Regional Council, Cromarty Firth Ports Authority and the Highlands and Islands Development Board, which have jointly been approaching 10 major chemical companies, have been told by two of them that they will seriously consider building plants if adequate supplies of butane and propane become available.

In addition, companies interested in setting up an ethane cracker have indicated that they are planning now in order to meet expected increases in demand for ethylene in the mid-1980s.

Again, if feedstock became available they would also look seriously at the Firth for new sites.

The three agencies have been sufficiently encouraged by the response to plan another series of meetings with a further 12 companies.

NEB urged to set up group for marketing office equipment

BY JOHN LLOYD

THE NATIONAL ENTERPRISE Board, which is considering a large investment in developing the electronic office equipment industry, has been advised to create a new organisation to market the systems at a cost of at least £10m in the next five years.

Computerised office systems, to replace filing, typewriters and much paper work, are being introduced, primarily in the U.S. Their use is expected to increase in the next decade, to reduce numbers of office workers and increase efficiency. The market in the U.S. and Europe is thought to be enormous.

A report commissioned by the NEB from the consultants Butler Cox, written by three academics at Queen Mary College, Stepney, says that establishment of a "new and autonomous organisation to research and market office systems" is the best hope for the industry if it is not to be surpassed by those of other European countries.

The organisation would have to establish a substantial UK presence in export markets, rapidly since domestic demand would tend to be more sluggish than abroad.

"The average salary of an office worker in the UK is about 50 per cent of that of a similar worker in Germany. There will thus be less incentive to automate UK offices as fast as the offices in other, better-paid countries.

"It has been made abundantly clear to us throughout our investigations that the keystone of the UK office equipment industry must be the marketing of these systems. UK industry has repeatedly shown that it has the technical expertise to produce excellent, sophisticated products."

But, says the report, the industry has usually failed to assess the potential market adequately before making a product, or to market it aggressively.

The report says that the "general philosophy" of UK-made systems should be clear by the end of the year, with serious research by 1979. A total office communications system should be ready by 1980.

The strength of the UK is seen to be in its domination of the European computer software sector and in its manufacturing base.

"The UK has more of the essential technological capabilities than any country except the U.S., and has a record of successful developments in the computer systems field at a fraction of U.S. costs."

The NEB controls a software house, Insac, and has recently established a microprocessor and micro-memory company, Inmos. It is thus seen as logical that it take a major stake in one of the largest growth areas for electronic products.

Prestel viewing service starts

BY JOHN LLOYD

PRESTEL, the Post Office service formerly known as Viewdata begins its trial run on September 18, and will be marketed from early next year.

The computer-based system will bring a wide variety of news and information into the home or office, through telephone lines, for display on the television screen.

The Post Office believes that it will be able to sell the system to six or eight countries in the next year, and to up to 30 over the next three years.

Prestel has been sold already to telecommunications—authorities in West Germany, Holland and the U.S., and the Hong Kong authority has accepted the system in principle.

The system has been delayed from coming into service in the U.K. for three reasons: technical difficulties with the software, last-minute adjustments to the television sets and because of the effects of the Post Office Engineering Union's blacking of new equipment.

However, the software problems have now been resolved, the Post Office has given approval to three television set manufacturers — Thorn, Decca and Rediffusion — to market modified Prestel sets, and the union is likely to call off its action following its special delegate conference this week.

Only two other countries — France and Japan — are thought to be developing similar information systems, and the Post Office believes that it has a lead of two to three years.

Though it has not been disclosed how much Prestel charges foreign telecommunications authorities for its software package, it is thought that the cost is about £1m. Besides the software, the authorities must buy General Electric's 4000 series computers, with which the software is compatible.

The price of a Prestel set will begin at about £350 more than a conventional colour TV set. A "black box" which will modify an ordinary set to receive Prestel will cost about the same.

The manufacturers believe, however, that the price will fall rapidly once volume production begins, and they forecast that a Prestel set will cost only £50 more than a conventional set within a few years.

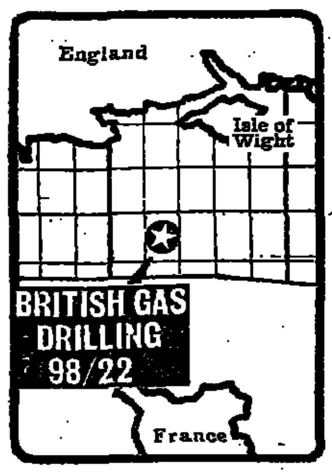
Plan to drill for oil in Channel

By Kevin Done, Energy Correspondent

BRITISH GAS is planning to drill the first wildcat exploration well in the English Channel later this year.

The well should be drilled in November in block 98/22 about 25 miles South-West of the Isle of Wight.

The gas corporation is planning to use the rig Offshore Mercury, now operating in the Irish Sea drilling an appraisal well on the British Gas Morecambe Field discovery in block 110/2. This is the sixth well



to be drilled on the find, which is thought to contain between 2 trillion and 3 trillion cu. ft. of gas. The corporation is already taking initial steps for development of the field.

In the English Channel it is possible that British Gas will drill the well in conjunction with Conoco, the operator on the adjacent block 98/23.

With the first well in this new province, both British Gas and Conoco appear to think it would be to their advantage to share initial exploration costs.

Any discovery of oil or gas in the narrow confines of the English Channel could obviously have serious implications for the busy movement of shipping.

The drilling rig will have to be marked with buoys and shipping will be prohibited from approaching within half a kilometre. Special instructions will also have to be sent out through the General Council of Shipping warning of the presence of the rig in the regular Notices to Mariners.

There has been drilling before in the South-Western approaches, but this will be the first exploration in the English Channel.

The results may be of special interest given the presence of the British Gas onshore oil field some 30 miles to the north-west at Wytch Farm in Dorset. Wytch Farm could be producing oil at the rate of 16,000 barrels a day by the end of next year.

Gross margins rise on dairy and grain farms

BY JOHN CHERRINGTON

GROSS MARGINS of daily and grain-producing farms last year rose by between 12 and 15 per cent, according to an analysis of the performances of more than 200 farmers, published by ICI today.

Other sectors, however, particularly livestock, either showed no increase in growth margins or small falls.

In the dairy industry, farmers who increased yields of milk, while at the same time reducing their dependence on expensive concentrate feeds, improved their gross margins by more than the average.

The better performance in the cereal industry stemmed from greatly increased yields. Output per acre was seriously reduced by the drought in 1976.

Although beef and pig producers had a relatively thin time, farmers in the hills producing "store" animals for fattening in the lowlands, produced gross margins approaching those in lowland areas. Performance in the hills was aided by hill cow and sheep subsidies from the Government.

The National Farmers' Union said that there was a substantial fall—18 per cent—in the average income of those farmers taking part in the survey. "After allowing for inflation this is equivalent to a fall of nearly 30 per cent in real terms," the union said.

The term "gross-margin" is not a measure of profit but the difference between the sum realised on farm output and variable costs, such as those for sprays, seeds and fertiliser.

The ICI report demonstrates, as usual, that the best managed farms have been doing well.

Dip in house building

BY OUR INDUSTRIAL STAFF

WORK STARTED on 11,300 new private houses in August, according to the National House-Building Council, the consumer watchdog organisation. This was a dip compared with the 12,861 in July and was below the average of 14,535 starts over the previous three months.

The council suggests the downturn last month might be associated with the mortgage famine, "which was being felt even before the announcement of the increase in National Savings terms."

It is too soon, however, to know whether the slide in houses started during August will continue.

Lloyd's inquiry team probing affairs of insurance broker

BY JOHN MOORE

A FOUR-MAN inquiry team set up by the committee of Lloyd's of London has begun its investigation into the affairs of one of its publicly-quoted insurance brokers, Brentnall Beard.

Although the inquiry team is looking into Brentnall Beard's role in the events which have led to a $10m (£5.2m) dispute between a Lloyd's syndicate headed by Mr. Frederick Sasse and the Brazilian reinsurance group Instituto de Resseguros do Brasil, many other aspects of the group's affairs are to be examined.

Brentnall Beard is now involved in a fresh problem which has arisen on the Sasse syndicate, which was suspended towards the end of last year at Lloyd's because of a solvency difficulty. Fresh claims which could amount to C$5m (£2.2m) or more have fallen on the syndicate on Canadian fire risk insurance placed with it by Brentnall Beard.

In a letter to the members of the Sasse syndicate Merritt Dixey syndicates, the underwriting agent which now manages the suspended Sasse syndicate, has warned that the claims could amount to "rather more" than C$5m depending on the loss.

The committee of Lloyd's is examining the matter and is likely to intervene to help the hard-pressed Sasse members. The committee feels that since it was responsible for suspending the syndicate it has created an underwriting account that is unviable. Since the Canadian business has not yet been presented for signing by the Lloyd's policy signing office, it would, according to the rules of Lloyd's, fall in the 1978 year of account. The Sasse syndicate has been suspended since December of last year.

Claims against Sasse members on this business, if made, could amount to £32,000 for each name on the syndicate who had underwritten a £40,000 standard share of the premium. Since the beginning of the year members that have underwritten a standard share of the premium have already been asked to pay £54,850.

● Meanwhile on another front, a meeting is planned later this month between the Luxembourg Reinsurance Company and H. Clarkson, a shipbroking group with insurance interests, in an effort to settle reinsurance claims made by Clarkson.

Report on Cornish tin mine expected soon

BY PAUL CHEESERIGHT

THE Department of Industry expects to receive this week a specially commissioned report from RTZ Consultants about the future viability of the Wheal Jane tin mine, near Truro in Cornwall.

The contents of the report will be decisive in determining the Government's attitude to granting financial support should Cornwall Tin and Mining request assistance for purchasing and reopening the mine.

Wheal Jane is owned by Consolidated Gold Fields, which stopped production in May following the earlier closure of the adjacent Mount Wellington mine.

The two mines are closely linked because, if the pumps stop working at one, the level of water increases in the other.

Mount Wellington is owned by Cornwall Tin, which embraces U.S., Canadian and Swiss financial interests, and in one of the more bizarre twists to Cornish tin mining history the company expressed the desire to rescue Wheal Jane despite its failure at Mount Wellington.

Failing the discovery of a new high-grade orebody, it seems likely, however, that Wheal Jane will at best remain a marginal mine, dependent on sustained high tin prices if it is to survive.

Economic upturn 'may leave UK behind'

BY MICHAEL BLANDEN

THERE WILL be little scope for further reflationary action by the Government next year, and Britain is in danger of being left behind in a general economic upturn, it is argued today by stockbrokers Phillips and Drew.

The brokers say that, given the stimulus to economic activity in this year's April Budget, on top of the already buoyant consumer spending, they foresee little scope for further reflation in the next spring Budget, or at any time next year, whichever party is in power.

The major portion of the direct tax relief in the April Budget, they point out, arose from the reduced rate band which was not included in pay packets until the end of July and is therefore only now being spent.

The tax rebate from subsequent amendments to the Finance Bill—principally the 1p cut in the basic rate—is due to be paid in October, while November sees increases in child benefit and the uprating of pensions and other benefits.

In the remainder of this year, there will be large additional amounts of spending power available. An over-expansion of real incomes this year has come against the background of rising inflation and the failure of the economy to run a substantial surplus on the balance of payments current account.

The brokers' relatively gloomy outlook is underlined by their international review, published at the same time. This forecasts a "discernible improvement" in world trade performance with over 6½ per cent growth in the export volume of the OECD countries next year compared with about 5 per cent this year.

An expected slowdown in the U.S. should be offset by higher growth in Europe, the brokers say, to leave real gross national product in the OECD up by 3½-4 per cent next year compared with a 3½ per cent growth this year.

However, the UK is in danger of being left behind, they argue. They estimate that UK real gross domestic product will rise by only 1 per cent over the next 12 months compared with 3½-4 per cent worldwide.

The UK inflation rate is likely to be substantially above the OECD average next year after being in line with the other major economies this year.

UK retail prices are forecast to rise by about 12 per cent over the next 12 months compared with an average of nearer 8 per cent in the other major industrialised nations.

The UK inflation forecast is based on the expectation that earnings will rise by around 10-12 per cent during the current round.

This figure can be divided into 5 per cent for basic wages, in line with the Government guideline, 2-3 per cent for earnings drift such as job regrading and promotion, 2 per cent for productivity deals, 1 per cent for restoring differentials and perhaps 1 per cent for outright circumvention of the policy.

The forecasts, together with the assumptions on tax relief, imply a "substantial slowdown in the growth of personal disposable real incomes." After rising by 6-7 per cent this year, the brokers forecast a fall of 0-1 per cent in the 12 months to the final quarter of 1979.

"This turnround is the main feature of the outlook for the real economy next year and has fundamentally important implications for real GNP and the balance of payments."

With slower economic growth unemployment is expected to remain at well over 1m and could start to rise again through 1979. The current account of the balance of payments is expected to be no more than in virtual balance this year and next.

In a similar warning about excessive growth of consumer spending de Zoete and Bevan argue that the Goverment may have to introduce tighter controls in hire purchase.

LABOUR NEWS

ICI shop stewards urge more sanctions

BY PHILIP BASSETT, LABOUR STAFF

ICI shop stewards yesterday recommended 30,000 workers to consider further sanctions after the company last week withdrew pay proposals put to its manual employees without taking into account pay policy.

Sanctions over improved rates for craftsmen have already had severe effects on the company's Teesside operations, including starting a programme of plant closures at the Wilton site.

Last week the company withdrew its pay proposals, which included increases of £7 and £5 for its top grades and consolidation of £6.60 pay supplements for all grades, because unions at Wilton had refused to agree to attached flexibility conditions until the pay changes had been made.

The company, in a letter to all employees, also said that because of the serious problems, it would now consider "the steps it sees necessary to maintain production" at Wilton.

The ICI shop stewards' combined committee yesterday gave its support to the Wilton workers, members of the Amalgamated Union of Engineering Workers and the Electrical and Plumbing Trades Union, who want improved craftsmen's rates before they will agree to cooperate in the training of fitters and electricians aimed at filling the company's chronic shortage of instrument artificers.

The shop stewards, who yesterday said the company's steps to maintain production were a threat to all ICI workers, believe the company wants to bring in outside contractors to alleviate the Teesside difficulties.

The stewards said yesterday that dissatisfaction over pay rates was so widespread that any "provocation" by the company at Wilton would lead to action being taken by workers at other sites.

They will now press—through their national official negotiators—for the consolidation contained in the offer forgone under the Stage Three agreement.

Pay stopped in Time Out dispute

By Our Labour Staff

NORMAL PAY for staff members of the London weekly magazine Time Out has been withheld by the magazine's management because of a dispute involving journalists and print workers which has prevented two consecutive issues from appearing.

The dispute, in which the unions are the National Union of Journalists, National Graphical Association and Society of Graphical and Allied Trades, is over employment of an art editor at a salary above "parity."

Ambulancemen may lift blacking of Bedfords

BY OUR GLASGOW CORRESPONDENT

SCOTTISH AMBULANCEMEN are expected to end their four-week blacking of Bedford CF25 and CF28 ambulances this week after an ultimatum from the services management. The Scottish Ambulance Service told shop stewards that if the men continued to refuse to drive the Bedfords, more than 400 of which are idle in most of Scotland, while emergency services only are operated by other makes of ambulance, they would be sent home without pay.

After a stewards' meeting in Glasgow Mr. James White, their convenor, said they had no option but to recommend to their members to take the Bedfords back out of their garages.

"Most of our members are family men and can't afford to be without pay," he said. "I think a majority will vote to use the ambulances."

The service is satisfied that it has found an answer to the two-year-old alleged tendency of the Bedford to shed rear wheels through loosening of securing nuts. It involves treating the nuts with a special glue, wiring them, and making regular checks on their tightness.

Treated vehicles were put through a stringent 500-mile test by volunteer crews without incident, but the men refused to lift their ban until the service gave a commitment to replace the Bedfords if there was any more trouble.

This demand was refused, and the ultimatum issued.

Pensioners 'should lobby MPs for more benefits'

BY OUR LABOUR STAFF

PENSIONERS were advised yesterday by Mr. Jack Jones, former general secretary of the Transport and General Workers Union, to heap their "justified wrath" on to MPs in a drive to improve pensions and benefits.

Speaking to a rally of pensioners at Brighton on the eve of the TUC Congress, he called for a major convention next year on the problems of retirement.

Pensions were "altogether inadequate." There was an urgent need to safeguard the supply of heat and light to 700,000 pensioners, who might be threatened with hypothermia this winter, for a national system of concessionary travel and for free TV.

The TUC's pension target of 50 per cent of gross average earnings included in its document "Into the 80s" needed to be implemented now, said Mr. Jones, to provide "comfort and dignity for those in retirement."

Mr. Moss Evans, general secretary of the Transport Workers, Mr. Ray Buckton, of the train drivers' union and Mr. Jim Slater of the seamens' union were among other leading unionists at the rally.

Rodgers acts on M-way service areas inquiry

BY OUR INDUSTRIAL STAFF

MR. WILLIAM RODGERS, Transport Secretary, is expected to lose little time in implementing some of the recommendations made by the Government committee of inquiry into food and other facilities at motorway service areas.

The committee's report has been in his hands for two weeks and will be published tomorrow. Mr. Rodgers is expected to announce almost immediately that his Ministry will be making changes to the conditions involved in motorway service area contracts.

Last year, the Treasury collected about £4m from the 39 contracts involved, about £100,000 for each concession.

The committee was set up in January under the chairmanship of Mr. Peter Prior, chairman of cider makers H. P. Bulmer, who has visited all the service areas.

The report is expected to confirm that many criticisms about the standard of catering and service, as well as the cost of food and petrol, at the motorway areas are justified.

However, the conditions the Government imposes on the contractors also come in for sharp comment.

The report is to be launched by a team, which includes Mr. Rodgers, Mr. Roy Hattersley, Prices secretary, Mr. Prior and members of his committee.

Official Receiver fees too high, say Tory lawyers

BY DAVID FREUD

THE FEES of Official Receivers called in to administer bankrupt companies and estates are too high, Conservative lawyers claim.

In a memorandum to the Cork Committee on Insolvency law, the Society of Conservative Lawyers says the fees should be calculated on the basis of time devoted to the job.

The high scale was often a block on the debtor's ability to be discharged, as well as overburdening bankruptcy administration by the courts. The fees have priority over other debt claims.

The Tory lawyers claim that a Receiver's fee might be a third of the value of the assets. The scales fixed by the Bankruptcy Fees Order 1975 provide for a maximum fee of 20 per cent of assets realised, plus other fixed and discretionary costs.

Provision should be made within the new insolvency statute, says the memorandum, for a separate provision with simplified procedure for debtors wishing to embark on a small personal bankruptcy.

Consumers 'need bigger role'

CONSUMERS should have a greater role in advising the Government on economic strategy, says the National Consumer Council. The council, set up in 1975 as a consumer "watchdog," has prepared a special economic manifesto outlining the consumers' interest in economic policy.

It will be debated at the council's annual congress in Edinburgh next week, and then presented to the Department of Prices and Consumer Protection.

It calls for a flexible pay policy to stimulate productivity, but bring annual inflation rate down to about 5 per cent. Pay policy should be determined by a national pay council, and a new body set up to monitor pay and productivity deals.


British airways

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● TEXTILES

UK printing science for India

LICENCES FOR technical collaboration between Strachan Henshaw and the Indian company Hindustan Thermo Prints provide for the supply of a Flexotex printing press and other equipment, as well as the transfer of technical expertise to produce heat transfer paper for textile fabric decoration.

This will be the first time that heat transfer paper has been printed in India and the new company will hold India's only industrial licence for this process. A new factory should come on stream in August next year and will be built with complete in-house facilities for the production work, from design origination to the handling of the finished reels of printed paper. The project will cost more than Rs 20m (about £1½m).

Hindustan Thermo Prints is a new public stock company with an authorised capital of Rs 15m.

Some 50 per cent of the textile printing paper produced will be exported and it is expected that its appearance on world markets will make a considerable impact, since this will be the first time traditional Indian designs, associated usually with hand-woven materials, will be available for printing.

It is planned that, eventually, the company will make printing calender machines itself for the transfer of the designs from paper to fabric. Negotiations are under way with a world supplier of such equipment.

In anticipation of the availability of a national source of supply of transfer paper, the National Textile Corporation of India and Hand Looms of India have made arrangements to start an experimental scheme to turn out heat transfer printed polyester/cotton fabrics using a few imported calenders and imported papers.

Flexotex presses have been supplied in many countries, but this is the first installation outside the U.S. or European countries to use the Speedwell design sleeves and on-press removal systems, in other words, the operation in India will be as advanced as in any other country. It will also be the first production unit outside Europe to use laser-engraved printing rolls for all designs.

The machine is a six-colour 1900mm common impression flexographic printing press. Speedwell system consists of a precision profiled mandrel and a light plastic sleeve which, when combined, form the printing or design roller.

Without removing the mandrel itself from the press, the sleeve can easily be mounted or removed from it, using air pressure. This reduces both downtime and inventory costs as the sleeves are easy to transport and store.

The current contract calls for the supply of the press, mandrels and sleeves, an inspection rewinder to produce small finished reels from the larger ones that come off the press, laser engraving equipment and a calender printer.

This array of equipment should permit production of enough paper to print 7m linear metres of fabric annually.

Strachan Henshaw, Speedwell, Bristol BS5 7UZ. 0272 558281.

● AUTOMATION

Wimpey in mini move

SIXTEEN minicomputer systems based on the Data General Nova have been ordered by George Wimpey to speed data collection and improve control in regional offices while taking some of the computing burden from the central machines.

The new equipment will also be used to keep a constant check on the status of orders and deliveries of equipment for some of the company's overseas contracts.

Supplier is DCC International of Twickenham whose parent in the U.S. has installed some 150 systems based on DG computers. The contract is worth £450,000.

Wimpey had already installed some nine Novas in as many regional offices, using internally-developed *software*, but finally decided to let the specialists take a hand.

But Wimpey's own systems and programming staff will prepare the systems to be used in each section, basing their work on the packages designed by DCC over the past few years.

● PLASTICS

Film process has many options

COMMISSIONING OF a new £250,000 blown film co-extrusion plant is nearing completion at Mardon Flexible Packaging, Midsomer Norton, Bath (0761 418761).

The company expects the co-extrusion process to give ability to produce cheaper, effective alternatives to certain conventional materials and to make materials that perform better for a small additional premium. Raw materials costs will be cut by using thinner plies than exist as handleable monofilms, or through the production of the desired specification in one operation instead of two or more.

For the user, ability to ring the changes on the part of the convertor can mean improved machine performance or a cheaper alternative packaging.

Initially the company envisages using co-extruded materials for vacuum pouches for meat and packaging for cereals, biscuits and dried foods. Subsequent applications include film for vacuum formed food packs for cheese, bacon and cooked meats and black and white film for light sensitive or agricultural products.

The decision to instal a blown film co-extrusion plant was taken after several months of investigation into both the blown film and cast film processes and an extensive market evaluation. Although the new plant brings Mardon Flexible one step nearer the source of raw material production, the company believes that there are two good reasons for a converter to instal it rather than a film supplier. The first is that the converter is nearer to the end use and is likely to be more aware of the user's requirements; second, the run length of any one specification is unlikely to be economically attractive to film manufacturers.

The American designed Gloenco co-extrusion plant which can produce up to 10 tonnes of film a week is the first of its kind in the United Kingdom.

Mardon Felixbie Packaging, POB No. 3, Midsomer Norton, Bath BA3 4AA.

● HANDLING

NatWest to put papers on rails

IN THE new tower block headquarters for the National Westminster Bank in London, now becoming a salient feature of the City's skyline, handling of masses of documents that flow through the many offices in this 600-ft building will be done in a novel way.

An electric railway with small carrier cars operating on 24 volts will take the documents from department to department, travelling both horizontally and vertically. In certain areas the cars will hang upside down from the track, travelling across ceiling spaces to avoid congestion.

Developer is D. D. Lamson and the value of the contract for this giant 3D electric railway is £1m. It will start to pay for itself from day 1 because of time saved in clerical routines.

D. D. Lamson, Gosport, Hampshire.

● DATA PROCESSING

Kitchens by computer

IT HAS been estimated that it takes ten hours to design the average kitchen and, with the introduction of a microprocessor which, it is claimed, can do the same work as a kitchen designer, this time can be reduced to as little as half an hour.

A housewife should now be able to take her kitchen's measurements to her local dealer where a design can be drawn up on a television screen. Discussions can take place with a designer and modifications instantly made.

Once all the various units have been placed, the machine can show the side elevation of the layout and then produce a contract of sale, an order for parts from a supplier, or for the kitchen planner's stockroom, and technical drawings of the kitchen for the *installer*.

The development will be demonstrated on the Collins Consultant's stand at the Personal Computer World Show in London, September 21-23.

More from Interbuild Exhibitions, 11 Manchester Square, London W1M 5AB (01-486 1951).

Bigger role for local processors

ARBAT HAS set up its Ashford office as a new research centre with a Digital Equipment PDP 11/70 dedicated to development work on system software for banking computer systems. Arbat Interactive Multi-User System (AIMS) software and banking communications software are areas in which work is being done.

But a major effort is being deployed on distributed micro-computer systems. The aim is likely to be one central processing unit per user, with the mainframe reduced to a shared database plus the costlier peripherals like *line* printers.

Since each new terminal would come with its own processor the system as a whole could not get "computer-bound."

Arbat is at 160 Queen Victoria Street, London, EC4V 4DA. 01-248 6499.

Standby can support big systems

WHAT MAY be the first implementation in Europe of a major computer "standby" operation on another company's machine for an on-line data base computing system, involving total security of user data, has been successfully carried out in Edinburgh for the Scottish Widows' Fund and Life Assurance Society by Systems Consultants Limited (SCL), computer services consultants of Edinburgh and London.

The operation was done under the terms of an agreement made last year by Scottish Widows and SCL whereby, in the event of any interruption to the processing capabilities of the Scottish Widows' IBM 370/145 computer, immediate standby facilities would be made available on SCL's IBM 370/158 machine. The in-house computer was "down" for a full day, not because of hardware, but because of software problems. The work carried out by SCL involved the processing of all new contracts received in that day and prevented major inconveniences in the service which Scottish Widows offers to its policy holders. The company reckons that, in addition to the disruption on the day in question, a further 10 days would have been needed for the data processing system to regain full immediacy of operation had it not been for the standby arrangements.

SCL is at Finance House, Orchard Brae, Edinburgh EH4 1PF. 031 332 0341.

● METALWORKING

A system to reduce the noise

DEVELOPED TO minimise noise levels in bar finishing processes is a soundproofed bar handling system from Cenbar Tools, Taylor Industrial Estate, Risley, Warrington WA3 6BL.

It is suitable for handling bars from ½ inch to 3 inches diameter on straightening or reeling machinery and, says the company, will enable operational noise levels to be reduced below 85 decibels.

Round bars up to 20 feet long can be handled with the system which comprises a semi-automatic in-feeding unit and an automatic outgoing conveyor. The pneumatically operated in-feed unit is equipped with a hinged safety cover to ensure that the bars being handled are fully enclosed while entering the finishing machine. It also has a telescopic pusher block arrangement to cater for variations in length.

The soundproofing features include a wear resistant, sound-deadening lining on the in-feeding trough and insulated rollers on the outgoing conveyor track. The outer casing of the feeding trough on the in-feed unit is also filled with a sound-deadening material.

● GRAPHICS

Transfers symbols and lettering

SUPPLIERS Mecanorma has introduced a dry transfer device known as the Transfer Card. This is a handy-sized (120 x 230 mm) dry transfer sheet mounted on a cardboard *frame*—allowing fast, accurate lay-down, reducing waste and giving extra protection. The frame gives simple handling, and lets the sheet slide easily across the artwork without hands coming into contact with the lettering sheets. Accuracy in lining and squaring up is simplified, particularly with smaller point sizes.

All that is necessary for accurate lining-up is to superimpose the dotted line on the sheet over a lightly traced guide on the artwork. The edges of the card can be "blocked" against the side of a ruler fixed to the drawing board and it will guide easily along a parallel rule.

A range of more than 530 references is available in this new form. These include 294 references for letters and numbers, 39 graphics symbols, 92 architectural symbols and screens, 40 electrical symbols, 38 electronic symbols and a series of letters, numbers and symbols for overhead projection use.

Cards containing special logos and lettering can be produced in one or a number of colours.

More from Mecanorma UK, 49 Central Street, London, E.C.1 (01-253 0261).

Versatile pump

DESIGNED TO retain the very rapid priming and re-priming qualities of its predecessor, is the Super Univac range of solids-handling automatic vacuum priming centrifugal pumps from Sykes Pumps, 445 Woolwich Road, Charlton, London SE7 7AP (01-858 8121).

The new pump is of modular construction with interchangeability of many of its components. A particular feature is the ability to fit alternative impellers as requirements change, while the use of a bearing pedestal makes the fitting of alternative prime movers a relatively simple matter.

Other benefits offered include simplified maintenance and reduced site costs, minimum downtime and ease of operation. The pump is also of smaller dimensions than former models facilitating transport and moving around on site.

● COMPONENTS

Designed for safety

ADJUSTABLE DIFFERENTIAL switches which are explosion and weather-proof are now available from Hymatic Industrial Controls, Glover Street, Redditch, Worcs. (Redditch 67841).

These have been developed in the U.S. by Custom Component Switches Incorporated where applications include the detection of pressure drops across filters, differential pressure on turbines, pumps and compressors, and flow detection when sensing across an orifice plate.

The switches are said to be capable of withstanding high imbalance forces between the system pressure ports, relative to the differential pressure which they are sensing. They can be accurately adjusted for settings between 0.04 and 75 psi, yet are well able to withstand 400 to 750 psi over-load pressures without suffering damage of any kind.

Because of a "Dual-Snap" element—this is a convex disc which snaps to concave under pressure and snaps back when pressure is released—the switch is positively either on or off. Its set-point does not drift and the switch is not sensitive to shock, vibration, temperature variations or other changes in ambient conditions.

A hermetically sealed electric assembly is used for the explosion-proof version which results in a very light-weight compact design suitable for confined installations. The electrical asembly can incorporate either an SPDT (single pole, double throw) switch as standard, or has an optional duel, DPDT switching circuit.

Useful power switch

DESIGNED FOR use on cord-connected appliances such as power supplies, portable instruments, medical and domestic equipment, is a toggle-action power switch, type T10, from Highland Electronics, Highland House, 8, Old Steine, Brighton, East Sussex BN1 1EJ (0273 693688).

This switch is complementary in size, weight and appearance to the company's TII single pole miniature magnetic circuit breaker. It is panel-mounted in a 12.7 mm round hole and the body behind the panel measures 35 x 39 x 17 mm (approx.) including terminals which take 6.35 mm push-fit connectors. Screw terminal adaptors are also available.

● ELECTRONICS

BBC order for Gould

A SUBSTANTIAL order from the BBC for an oscilloscope designed for video monitoring applications has been won by Gould Instruments Division, Roebuck Road, Hainault, Essex (01-500 1000).

The oscilloscope is a modified brighter version of the company's Advance OS3300B with a BBC designed timebase module incorporating comprehensive video triggering facilities, which is being made by the company under a manufacturing licence agreement from the BBC.

The new timebase generator allows the oscilloscope to be used for detailed line-by-line examination of 625-line television waveforms or to display a television picture.

It accepts a standard level video signal, which may contain "Sound-in-Sync" signals and provide six different triggering modes: field 1; field 2; field 1 and 2 alternating; line repetitive; single line selectable by front panel switches (with the line number indicated on a 3 digit light emitting diode display) and line pairs in the range 16/329 to 22/335.

Building and Civil Engineering

£13½m contracts to Laing

THE LARGEST of contracts totalling over £13½m awarded to John Laing Construction is the building in Cardiff of the city's long-awaited national concert hall for £6m. Its design is based on the Philharmonic Hall, Berlin, and provides for an auditorium at second floor level above shop units, with a seating capacity of about 2,000, plus space for up to 120 musicians and more than 100 choristers.

The new hall was first mooted 20 years ago and work on it will start later this month with completion anticipated in just under three years.

Housing development which will provide homes for up to 450 people is to be built under a £1.9m contract for the borough of Langbaurgh, on the site of a former goods station in Eston, Cleveland.

The 149-home estate will have houses, bungalows and some two-storey and four-storey blocks. Of these, 119 homes will be for elderly people. A small meeting hall with warden's office and kitchen will also be provided.

Construction of the new homes and meeting hall will be of traditional brickwork cladding, with reinforced concrete foundations and tiled pitch roofs. Work will also involve diverting a culvert across the site, building new roads and footpaths, and providing services and drainage.

The architects for the project are Frank Swainston Associates, and the quantity surveyors are Elliott and D'Arcy, both of Middlesbrough.

Work has just started on a contract worth more than £350,000 to complete a home for 40 elderly folk in Belfast. The two-storey home being built for the Department of Health and Social Services is on a 0.66 acre (0.27 hectare) site at Shankhill Parade, Belfast.

Apart from these housing jobs, the company has secured an important two-year £3.3m contract to build the Overseas Development Ministry offices at East Kilbride.

Construction starts this month on a 10.6 acre site adjacent to Eaglesham Road beside Hairmyres railway station on the western side of East Kilbride. A £½m of site preparation has already been completed by R. J. McLeod (Contractors).

Three linked buildings of three, six and seven floors with about 115,600 square feet (10,740 square metres) of office area are being built to locate some 650 civil service posts being dispersed from London. The brick-clad reinforced concrete framed buildings will be constructed on reinforced concrete strip foundations.

The East Kilbride Development Corporation has appointed as structural engineers Thorburn and Partners and as mechanical and electrical engineers Hulley and Kirkwood, both of Glasgow.

A further phase in Bedfordshire County Council's Inner Ring Road system for Luton is to be built under a contract worth nearly £1.02m. Work will soon start on the quarter-mile section of dual (24 feet wide) carriageway that will link other sections of the ring road near Dunstable Road, on the western side of Luton, with the A6 leading northwards.

Work will start within the next two weeks on warehousing, the first stage of a 30-acre speculative industrial estate for the Medway towns at Gillingham, Kent, under a £1m contract by Grosvenor Estate Commercial Developments. The company will manage the construction of two warehouses served by a loop road in the first phase of development of the former Gordon Barracks site fronting the link road between the A2 and M2 to the south west of Gillingham.

Busy in UK and Canada

THE LARGEST contract in awards totalling over £6m to George Wimpey is worth about £3.28m and has been obtained through the company's Toronto Office. Wimpey is to build roads, sewers and provide general services for I-M Developments of Don Mills, Ontario, for a residential project in Scarborough, Ontario, at a cost of £1.25m.

Another contract of a similar nature, for £1.18m, is at Castledowns, Edmonton, Alberta, for Qualico Developments, involving pregrading, drainage, sewers, services, roads and walkways for a 304-plot housing development.

Also in Edmonton are two contracts totalling over £700,000; one is for a three-span bridge, cast in situ over highway 921 for Canadian National Railways, with all associated works including drainage and slope protection; the other for Kowl Holdings is for all underground services, roads and sewers for a new residential project.

At Calgary, Alberta, the company is just starting a £150,000 site development project including roads, services and sewers for a residential scheme for the Nu-West Development Corporation.

At home, Wimpey has won a contract valued at more than £980,000 from the Redditch Development Corporation for the construction of seven advance factory units. Work here includes integral two-storey offices, service areas, parking areas, access roads, landscaping and drainage.

The city of Kingston-upon-Hull has awarded a contract worth £660,000 for the modernisation of 152 local authority houses at The Greenway, North Road, Hull. The work, to be done in three phases, comprises general upgrading of structure, partial renewal of fabric and the introduction of central heating systems.

Work rolls in to R. M. Douglas

THE HOLIDAY period has seen the award of several contracts to companies in the Douglas Group.

British Lift Slab, for instance, has gained awards worth £2.8m. These include contracts for multi-storey car parks at Peterborough, Colchester and Bridgend (£1.7m) and the design and construction of a reinforced concrete frame for an office development in Telford (£355,000). Another job is the construction of a malting tower at Burton-on-Trent for Bass Breweries (£664,000).

Another company in the group, R. M. Douglas Roofing, has £1m worth of orders, while R. M. Douglas Construction's latest awards include a £1.1m contract for seven factories at Halesfield for Telford Development Corporation and £700,000 works extension and office block for Dunlop at Hindley Green, Wigan.

North Sea pipeline

ENGINEERING AND construction management services for a 47-mile crude-oil pipeline serving Beatrice field in the North Sea, will be provided by Taywood-Santa Fe of Orange, California, U.S., under a contract awarded by Mesa (UK).

The 16-inch pipeline, designed for a maximum flow rate of 96,000 barrels daily, will extend from Beatrice field in the UK Block 11/30 to a proposed receiving terminal at Nigg Bay.

The project will include about 42 miles of submarine pipeline and five miles of onshore line connecting to the terminal.

Taywood-Sante Fe is a British company, owned jointly by Taylor Woodrow Construction and Sante Fe International Corporation.

Ferry ramp in Larne Harbour

WORK HAS just started on Larne Harbour's second two-tier ferry ramp, part of a £3½m development scheme, which is partly financed by the EEC Regional Development Fund.

The ramp is being installed at the harbour's Continental Quay which, until recently, was used by Townsend Thoresen Larne/Cairnryan ships. These ferries are now sailing from the port's new Chaine Quay two-tier berth which opened two months ago.

As with the first two-tier ramp, work is being carried out by Ulster building and civil engineering contractors, McLaughlin and Harvey, and the non-marine structures section of Harland and Wolff.

£1.7m for French Kier

COMPANIES WITHIN the French Kier Group have received contracts amounting to £1.7m. The largest of these is a £662,355 award from the British Gas Corporation for the preliminary civil work for a compressor station near Wisbech, Cambs.

British Rail Engineering has placed a £376,016 contract for three new buildings and the extension of a fourth at the Eastleigh carriage and locomotive repair works in Hampshire.

Perkins Engines at Eastfield, Peterborough, has awarded a contract worth £352,000 to W and C French (Construction) for the erection and completion to the first phase of a test cell complex.

This company has also received a £338,846 contract from the London Transport Authority for the construction of three new bridges at Ravenscourt Park Station, adjacent to the existing bridges.

Renovation jobs in the City

MYTON, A member of the Taylor Woodrow Group, has won a £¾m contract from the Legal and General Assurance Society for the refurbishment of three floors at Bucklersbury House, Walbrook, London, E.C.4.

The project is to be managed by the Legal and General Assurance Society and quantity surveyors E. C. Harris and Partners.

Somewhat larger at £880,000 is the award to Taylor Woodrow Construction by Standard Chartered Bank, for alterations and refurbishment to a multi-storey office building at Clements Lane, London, EC4.

Architects for the project are Fitzroy Robinson and Partners with quantity surveyors Watkins Pool Partnership.

£5m awards for Tilbury

THREE LATEST contracts awarded to Tilbury Construction total over £5m.

The largest, worth over £3m has been awarded by the London Borough of Hammersmith and involves a residential development at Blake's Wharf, comprising 162 dwellings, a public park and associated works. This project is about to start and will take two years to complete.

A further contract, placed by the same authority, calls for the construction of a block of 27 flats at Wheatsheaf Wharf, Fulham, together with access roadworks, footpaths and landscaping. Work on this £680,000 contract will start in early October, and is scheduled for completion in the spring of 1980.

The third contract is for a two- and three-storey office and laboratory block for Marconi at its Stanmore, Middlesex, complex. Valued at over £1.2m the building work has just commenced and will take 91 weeks to complete.

The consulting engineers are Michael J. Heard and Associates.

Waste tip will be levelled

A BIG conical colliery waste tip, felt by the Welsh Development Agency to be an ugly blot on the landscape, is to be levelled to create a 55-acre industrial plateau.

The derelict land, clearly visible from the main Blaenavon to Brynmawr Road, will be reclaimed under the second stage of a £1m scheme approved by the WDA.

The first stage of the Torfaen Borough Council project, which started two years ago, cost more than £620,000 and included the re-routing of the Afon Llwyd River by means of a diversion channel more than a mile long. This work is now nearly completed and will enable some 1.2m cubic metres of colliery waste material to be spread out in the valley behind the tip site to create the plateau.

The total cost of the scheme is being funded by the WDA with the help of a substantial contribution from the National Coal Board.

Safety on the site

NEW REGULATIONS and an approved code of practice under the provisions of the Health and Safety at Work Act will become effective from October 1.

Because the legislation has far-reaching implications for the construction industry, the Construction Health and Safety Group is holding a conference covering the issues involved at the Post House Hotel, Heathrow Airport, on September 27.

Attendance fee is £40.00, and application forms are obtainable from the Group at Training Services Agency, Enfield Skillcentre, Bilton Way, Enfield, Middlesex EN3 7NZ (01-804 2756).

£4m to Reed and Mallik

ORDERS WORTH, more than £4m have been received by the civil engineering division of Rush and Tompkins Group, Reed and Mallik, in South Glamorgan, the construction of a new 65-metre single span composite steel and concrete bridge has commenced. This should be completed in 80 weeks and is valued at £1.05m.

Work valued at £620,000 on the A40 trunk road at Brecon is being undertaken for Powys County Council to provide a dual carriageway on the Raglan-Llandovery section, including the construction of an underpass.

At the Royal Naval Air Establishment, Ernsettle, Plymouth, as part of the foundations for new construction work, an order valued at £375,000 is for driving 357 number "H" piles.

Work has commenced in the south east on the erection of a noise barrier on the M11 at Rodbridge, Essex, and phase 1 of the Singleton distributor road at Ashford, Kent—the value of these two projects is £300,000.

The Buckingham County Council has placed a £390,000 order for work to be carried out in connection with the Buckingham ring road at its junction with the A 413.

Hush Piling, an associate company, has received a £200,000 order to supply and drive 290 piles as part of the foundation works to an access road and bridge at Briton Ferry, West Glamorgan.

The largest order is valued at £1.8m (subject to D.o.E. approval) for the removal of 12,000 square metres of deteriorated sea wall and the construction of new sea defences, comprising new sea wall, roadway and wall at the Leasowe revetment reconstruction, stage 2, at Wirral.

Office and factory

UNDER A contract worth nearly £150,000, Lesser Construction is to build a production unit and offices for Marston Radiator Services, a subsidiary of IMI, at Narborough, Leicestershire.

The single-storey production unit will have a steel portal frame with walls of colour-coat steel sheeting and a roof of Thrutone asbestos. Facing brick will be used on the office building walls and on part of the production unit.

Space for car-parking is to be provided, together with an access road which will link the new facilities to the existing internal road system.

IN BRIEF

● A "flatted factory" in Havelock Terrace, Battersea is being built for the London Borough of Wandsworth under a £485,000 contract awarded to Wates Construction.

● Two industrial piling contracts valued together at about £250,000 have been awarded to West's Piling, part of the WGI Engineering Group. Foundation piling at Shellhaven Refinery, Essex, will be carried out for Shell (UK) and the other job is at Ely Mill, Cardiff for Wiggins Teape.

● Extensive repairs to the administration and workshop block at the Albion plant of Leyland Vehicles are currently being undertaken by Cementation Chemicals under a contract in excess of £100,000.

● Fairclough Construction has received a contract for £1.7m for a factory and offices at Castletown, near Sunderland, for Grundfos Manufacturing, and a £1.6m local authority contract to build 146 homes at Stretford, Manchester.

● In contracts totalling £1.1m to J. & J. Fee, a £550,000 factory extension will be built for Robert Glew Wool Industries, Bradford; new access road and warehouse extension, valued at £150,000, for A. Sykes (Dorlux), Halifax, and the refurbishment of a store for Wm. Morrison Supermarkets, Bradford, value £450,000.

● The Oxford and Swindon Co-operative Society has placed a £325,000 contract with Bovis Construction which is to build a new store at High Street, Thame, Oxon, to be completed by the spring of 1979.

● Ford & Weston Group of Derby and Cheltenham is to provide an operating theatre at Ronkswood Hospital, Worcester, under a contract valued at £561,561, for the West Midlands Health Authority, and a school at Market Harborough, worth £425,128, for Leicestershire County Council.

A ONE-DAY symposium on "Brick diaphragm and fin walls" is to be held by the Brick Development Association at the NFTBE Centre, 20 Duchess Mews, London, W.1. on October 17. It will be repeated at the University of Strathclyde on November 28, and at the Ramside Hall Hotel, Durham, on February 1, 1979.

The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

You'll have to come back next week—I'm too busy with the paper work.

EXECUTIVE HEALTH

Avoiding voracious Freudians and computer devotees

BY DR. DAVID CARRICK

A CYNIC once said that doctors could be divided into two groups: the introverts and the extroverts. A member of the first category would be a funereal creature, fascinated by Freud, and who would never consider any disorder to be somatic; no, even an ingrowing toenail was in the mind and had been since some forgotten piece of lechery had taken place when the patient was four.

Members of the other group were all jolly rugger players who had never had a day's illness in their lives. To them, everything was physical, and if a patient displayed overt psychological problems, they would thump them on the back and tell them to take some exercise.

Today, that cynic would have to consider a third group: strange, earnest men and women who regard a patient not as a person but as a vehicle for the removal of fluids, etc., to place before their modern Baal, the computer, and await in reverence for its pronouncements.

This group is increasing. But, fortunately, it is largely confined to hospitals and laboratories so that its inability to recognise a human being as a delicate and complicated creation, who may well respond to sympathy and compassion better than to print-outs, is as yet limited.

When there were just the two former groups, the patient was much pushed to decide whether he would be safer placing himself in the hands of the stern, brilliant and humourless introvert or to pick the jolly chap who at least was unlikely to diagnose acute appendicitis as some frustration of the brain brought about by subconscious thoughts of a salacious nature.

Now, alas, thanks to the NHS machine, these two major groups have been submerged by forms, overwork and vexatious bureaucracy. Here and there, scattered and disappearing fast, is another little group which believes that the brain cannot be separated from the body save with an axe—which is drastic and final. This little collection still takes a careful history, examines patients with their clothes off, and uses scientific marvels to support their clinical judgment in the best interests of their patients.

If one belongs to this old-fashioned coterie, and is not caught in the NHS treadmill, medicine can be enjoyed as the art it should be; but the catch is that it involves giving sufficient time to each patient, and this in itself means that monetary rewards have to be submerged beneath a visible dedication.

Recently I saw a charming young woman who, because she had developed very mild claustrophobia, had been put on Valium and led to believe that she was losing her mind. Certainly she was overly tired, breathless, wondrously pale and had begun to avoid people. Her poor GP, harassed and form-bound, had failed to diagnose severe anaemia and had put her on the tranquilliser.

Now Valium is an excellent drug for conditions for which it was designed. It is unlikely to be of great value in anaemia. Indeed, the effect is rather like trying to run a racing-car on paraffin and adding a trailer for good measure.

The commonest variety of anaemia is caused by a shortage of red corpuscles (as in haemorrhage or chronic illness) or by the cells being too small and poor in haemoglobin, resulting from iron deficiency.

If haemoglobin is low then oxygen can neither be carried in sufficient quantities nor can the unwanted carbon dioxide be removed from the tissues. The patient then experiences various symptoms including: fatigue, headache, faintness, depression, breathlessness, palpitations and pins-and-needles in the extremities and sometimes, psychiatric symptoms.

There are many causes. Chronic bleeding, even from piles, is an obvious cause which can be treated easily. Some people suffer poor absorption of iron from the gut: but by far the commonest cause is a diet low in iron. Thus, the very poor, the alcoholic, the obsessional dieter and the over-fussy may well become anaemic.

Once the type of anaemia has been diagnosed (and here I am considering the benign, iron-deficiency type), administration of suitable iron preparations (orally or by injection) sometimes supported by folic acid, soon brings normality and accompanying good health. Afterwards the patient must be persuaded to eat foods rich in iron, such as red meat, liver, milk, fruits and most vegetables, to avoid sliding back again.

The young woman I mentioned is now chasing her husband about, which he does not mind as she is prettier than ever. Now I must say that it was not clever of me to make the diagnosis nor to institute treatment. But I often wonder how many patients suffer needlessly or receive incorrect treatment because their over-stretched, harassed GPs have no time to remember or practise in the way they were taught.

Whatever the answer, it does not lie with cold technology, for this is no substitute for sympathy, empathy, understanding and, above all, compassion.

Richard Cowper on the problems faced by companies and employees contemplating a change to shiftwork

Times are a'shifting on the shop floor

THE BITTER realisation that, try as they may, most European governments are failing to make any significant inroads into unemployment has heralded a new assault from several quarters, especially trades unions, on the length of the working week.

In most European countries, including Britain, one of the most popular union solutions to mopping up the area's unemployed is to fight for work-sharing in the form of a reduction in the working week. In the UK the aim is to cut today's standard 40 hours for those in manufacturing to 35 hours.

Many unionists also believe that companies should be encouraged to "buy out" overtime wherever possible and take on extra labour—for example by introducing two-shift working instead of a single shift.

Trends

Whatever the arguments for and against, this renewed pressure is likely to accelerate the post-war trend towards a shorter working week. And with many manufacturers finding it unprofitable to operate their plant for, say, only 35 hours, an increase in shift work is a likely outcome.

In the white collar sector shiftwork is increasingly being extended to certain kinds of office work. Even this bastion of nine-to-five working has succumbed to unusual hours, particularly where computers are involved.

Although no regular statistics have been collected in Britain, Department of Employment figures show that the proportion of manual workers on shiftwork rose from one in eight to one in four in the 14 years from 1954 to 1968. And today it is estimated that one third of all workers in manufacturing industry are on some form of shiftwork.

Evidence from the International Labour Office shows that three-shift systems are more common in France and the Netherlands, whereas a two-shift system is more prevalent in the UK and Japan.

The shift system favoured in Britain is an alternating day and night shift where two groups of workers change between days and nights, usually weekly or fortnightly. This system has the advantage of being extremely flexible, permitting both shifts to work overtime and allowing maintenance to be carried out between the shift changes.

In the rest of Europe, more particularly in Eastern Europe, the double day shift is more common. This system (two shifts from say 6 am-2 pm and 2 pm-10 pm) enables the plant to be manned for 80 hours a week without resort to working at night—the least socially and medically attractive form of shift work.

With the move across Europe towards an increase in shift work, the need for more research into the economic, social and medical effects of different shift methods is a pressing one. So Dr. James Walker's book, The Human Aspects of Shiftwork, largely based on experience in Britain, provides an invaluable introduction to the literature on the subject available in the UK, and is a must for both the manager and the trade unionist new to the issue.

Apart from social and medical problems, some of the vital questions tackled by the book include: when and how to introduce shiftwork, and the relative merits of different shift systems.

'Nightworkers are more likely to develop stomach or nervous disorders'

Look here mate, we're reducing your working week to AM, and bringing in a new PM to take the second shift.

'Don't expect the single young, with courting ahead, to make the best shiftworkers'

Considerations

Dr. Walker discusses a number of important considerations which must be thought through before making a decision to go over to shiftwork. Management should give especial attention to the nature of its manufacturing process and of customer demand, as well as to the economics of plant utilisation. He provides a list of conditions, which if met, favour the introduction of shiftwork:

- The company's labour costs are relatively low compared with its capital costs.
- Adoption of shiftwork will make it possible to reduce unit costs.
- The company has a narrow range of products and a large unit of operation.
- The expected rate of plant depreciation, as a result of new techniques, is high.
- The availability of manpower, in quality and quantity, willing to do shiftwork is high.

The benefits of introducing shiftwork, in terms of increased capital utilisation, can be enormous, and in some cases may mean the difference between viability and bankruptcy.

The author gives a striking example of how capital utilisation can vary by providing figures on spindle use in the world textile industry. In France the average length of time a spindle was used in 1974 was 3,920 hours, Japan 4,850, U.S. 6,340, India and Pakistan 6,580 and in Hongkong 8,544. It may be no coincidence that the French textile industry has been one of the worst hit by the current crisis.

Of course this argument ignores one of the main objections to work-sharing and an increase in shiftwork in a developed economy. In some cases, higher wage rates for shiftworkers may make the labour cost of increasing capital utilisation self-defeating.

Once management decides to introduce shiftwork, however, the author says it needs to exercise all the skills of communication, consultation and training, in order to minimise workforce resistance and ensure a smooth changeover.

Workers should be consulted at an early stage in the decision-making process, he says, for acceptance is more likely to be forthcoming if the reasons for the change are apparent. In Britain, for example, the Trades Union Council (TUC) had advocated that negotiations should cover all areas of decision about shiftworking and not just the narrow question of remuneration.

The introduction of shiftwork makes an all pervasive effect upon the life of a shiftworker and his family, and can often cause inconvenience and sometimes stress. Given that there are also enormous individual differences in people's preferences for the hours they might wish to work, the author recommends that if employee morale is to be maintained there should be a considerable degree of built-in flexibility in working arrangements.

"If a variety of systems co-exist in a factory, it will be found that workers gradually select themselves on to the type of work which is most suitable to them. And this is likely to be abundantly repaid in improved employee morale."

Disturbance

One of the most interesting sections of Dr. Walker's book is devoted to a detailed analysis of existing research on the social and medical effects of varying shift patterns. While much of the evidence collected so far is inconclusive, some significant trends emerge.

Work at abnormal times during the day may lead to inconvenience and disturbance to social life, and it can have some adverse physical effects. Night work means that sleeping habits will have to be altered, meal times displaced, and in addition the body's biological clock will be disturbed. The jet lag of the traveller crossing time zones is analagous to the position of the night shiftworker.

There is evidence to show that mental performance declines at night as a result of this biological disturbance—particularly in the early hours of the morning. For normal factory work this should pose few problems, according to the author. It is with critically important, hazardous or very arduous jobs that it has to be taken into particular account. Frequent rest periods and fairly short shifts, he says, provide the best solution.

Dr. Walker believes there is no overwhelming evidence to show that factory accidents are significantly higher on night shifts, nor that output is substantially less. And research into the effects of nightwork on the health of shiftworkers has so far been generally inconclusive.

It is true that night workers are much more likely to develop nervous or gastro-intestinal disorders, particularly those who never adapt to new sleeping habits. But recent studies have shown that absence for illness among day workers is actually higher than among those who work at night. And figures show that the average night-worker lives just as long. These results do need to be treated with caution, says the author, as shiftworkers who become ill or who suffer from ill health are in most cases likely to be transferred to day work.

Management, he says, must pay particular attention to introducing general preventative measures to minimise the possible adverse effects of shift work—particularly at night—on health. The company should take into account the medical evidence on those best suited to shiftwork, and use it in pre-employment selection procedures. Management, he says, should always be prepared to allow those who experience ill-health to transfer to day work.

Given the evidence that nightworkers generally enjoy reduced facilities at the workplace, Dr. Walker says it is essential that a hygienic canteen or cooking area, plus first aid facilities, should be made available.

Guidelines

Taking all the evidence into account, Dr Walker concludes that the double day shift has the least social and medical drawbacks, but for the company which finds it essential for work to be done at night he produces a series of guidelines which he feels will enable management to make night shift work safe, productive and socially tolerable.

Single night shifts are better than consecutive ones, he says, and the shift cycle should not be too long—say four weeks. It should also have a regular pattern of rotation, to enable workers and families to plan their social life better. He maintains that the night shift should not generally exceed eight hours, except in cases of very light work.

While the higher wages enjoyed by most shiftworkers are probably the main incentive for working abnormal hours, he gives a final piece of advice to managers: don't expect the single young, who still have their courting to do, to make the most reliable shiftworkers. Your best bet is the steady married man with fairly well developed financial commitments.

The Human Aspects of Shiftwork; Dr. James Walker; Institute of Personnel Management, London, 1978, £3.95.

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1978 High	Low	Stock	£	+ or −	Yield Int.	Red.
105½	101½	Treasury 11½pc '79‡‡	101¼xd	−⅛	11.34	8.66
97	94¼	Treasury 3pc '79‡‡	95½xd	−⅛	3.14	7.61
97⅞	95⅛	Electric 4½pc '74-79	95¾xd	−⅛	4.44	8.61
104	99⅞	Treasury 10½pc '79‡‡	100⅜	......	10.44	9.89
96½	94¼	Electric 3½pc '76-79	95¼	−⅛	3.68	7.70
103⅛	96⅜	Treasury 9pc 1980‡‡	98¾xd	+⅛	9.10	9.99
102	97⅛	Treasury 9½pc '80‡‡	98¾	+⅛	9.62	10.28
95⅛	92½	Treasury 3½pc '77-80	93½	......	3.74	7.46
96½	93¼	Funding 5¼pc '78-80‡‡	93½	......	5.62	9.27
110¼	103¼	Exchequer 13pc 1980‡‡	103¼	......	12.57	11.14
106¼	99	Treasury 11½pc 1981‡‡	100¼	......	11.42	11.23
91⅝	88¼	Treasury 3½pc 1979-81	89¼	−⅛	3.91	8.35
101	95⅝	Treasury 9¾pc 1981‡‡	96¾xd	+⅛	10.08	11.30
97	91⅞	Exch. 8¼pc 1981	93¼	+⅛	8.85	11.12
100¼	94¼	Exch. 9¾pc 1981	95	−⅛	9.97	11.42
87	85⅝	Exch. 3pc 1981	86	......	3.49	8.44
97	95	Treas. Variable '81‡‡	95	−⅛	9.75	9.93
111	102⅞	Exch. 12¼pc 1981‡‡	103	+⅛	12.36	11.48
99½	91⅛	Treas. 8½pc '80-82‡‡	92	+⅛	9.15	11.07
85½	82⅞	Treasury 3pc '82‡‡	84⅝	......	3.55	8.20
115⅞	106¼	Treasury 14pc '82‡‡	107¼xd	+⅛	13.05	11.51
96⅛	94⅝	Treas. Variable '82‡‡	94	−⅛	9.85	11.07
96⅛	89⅝	Treasury 8¼pc '82	90	+⅛	9.09	11.36
100¼	91⅛	Exch. 9¼pc 1982	92¼xd	+⅛	10.03	11.72
96	89½	Exch. 8¾pc 1983	90	+⅛	9.69	11.63
85¼	79⅝	Exch. 3pc '83	81⅝	......	3.68	8.00
114¼	100½	Treasury 12pc 1983‡‡	101xd	+⅛	11.85	11.59
100⅛	89⅝	Treasury 9½pc '83	91	+⅛	10.17	11.71

Five to Fifteen Years

1978 High	Low	Stock	£	+ or −	Yield Int.	Red.
95	93	Exch. 10pc 1983	94¼	+⅛	10.77	11.85
89½	80¼	Funding 5½pc '82-84‡‡	83	+⅛	6.69	9.83
96	86	Treasury 8½pc '84-86‡‡	88⅝	+⅛	9.73	10.94
67	77	Funding 6½pc '85-87‡‡	80⅛	+⅛	8.35	10.44
89	79	Treasury 7½pc '85-88‡‡	81	+⅛	9.61	11.11
68	60⅛	Transport 3pc '78-88	64⅛	+⅛	4.72	8.55
75	64¼	Treasury 5pc '86-89	67	+⅛	7.58	10.19
115¼	101	Treasury 13pc 1990‡‡	105	+¼	12.49	12.31
89	[illegible]	Treasury 8¼pc '87-90‡‡	81	+⅛	10.37	11.45

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1978 High	Low	Stock	Price £	+ or −	Div. % Gross	Red. Yield
24	17	Antofagasta Rly	24	......	—	—
41	33	Do. 5pc Pref.	41	+1	—	—
98	98	Chilean Mixed	98	......	—	£3.10
415	350	German Yng. 4½pc	411	......	4½	—
54	45	Greek 7pc Ass.	52	−2	3½	£6.90
51	45	Do. 6pc '28 Stab. Ass.	50	−1	6	£6.04
44	40	Do. 4pc Mixed Ass.	42	−1	4	£5.05

BONDS & RAILS—Cont.

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LOMBARD

From an ivory tower

BY DAVID FISHLOCK

FOR THE rest of this week considerable national newspaper space and air-time will be devoted to the annual meeting of the British Association for the Advancement of Science (or simply the BA). The venue this year is the University of Bath, just outside this Georgian spa. It was one of the new universities created in the 1960s from the Bristol College of Technology, 12 miles away, with a strong leaning towards the applied sciences and liaison with local industries.

The week will begin with the presidential address tonight in Bath Abbey by Professor Dorothy Hodgkin, the Oxford crystallographer whose Nobel-prizewinning researches have been of inestimable value to such disparate industries as chemicals, drugs, and engineering materials. It will continue with visits for delegates to local centres of applied science such as the British Aircraft Corporation, the Avon Rubber Company, John Harvey and Sons, and the Berkeley Nuclear Laboratories.

The irony

Astonishingly enough, however, the scientific papers themselves—over 200 in all—reflect no such interest in industry's needs or the creation of wealth. Less than a score can seriously claim to have any bearing on the needs or interests of industry. Still fewer could even claim to be presenting the latest discoveries of science, for scientists long since have abandoned the BA for more specialised scientific meetings for the first announcement. Yet despite the paucity of what might be called "hard news," no meeting of scientists in Britain draws the publicity given—by longstanding tradition—to the BA.

The full irony of the situation becomes clear when one considers the background of the present secretary of the BA, Sir Ieuan Maddock, who for a decade fought hard in Whitehall for a greater status for science in the regeneration of British industry, latterly as chief scientist at the Department of Industry.

His successor in this job, Dr. Duncan Davies from ICI, while bringing his own brand of energy and long industrial experience, also has the advantage of enjoying the confidence of the current ministers and permanent secretary in a way which perhaps Sir Ieuan in his day did not. But Dr. Davies nevertheless pays full tribute to the fact that the policies by which he is seeking to stimulate more interaction between the almost academic world inhabited by some of the national research centres administered by his department and the real world of wealth-creation do no more than build upon firm foundations laid down by his predecessor.

Has industry failed to support Sir Ieuan in his new post at the BA? Or has academe rejected attempts to introduce a more solid contribution of applied science and engineering into the programme, lest they displace such essays as "Is archaeology necessary?"

Industry has always sponsored the BA annual meeting, the dominant activity of the BA. But industry, with some justice, is sceptical of the ability of many of the national laboratories and university departments, whatever the academic standing of their scientists, to contribute usefully to their problems. And why not when so many have the reputation of working for industry only if asked—which often meant never. Now industry is told that the national laboratories are being rejuvenated as research centres eager to excite industry with their ideas for innovation. Such a meeting affords a rare occasion to bring the workaday and the more esoteric reaches of science closer together on a broad front. Yet research chiefs from industry will be hard to detect among the speakers this week.

Real tragedy

The real tragedy is that the media, in automatically assigning considerable space to the BA meeting, present effectively an annual review of the sciences as a diverting cultural activity of a lucky elite, but scarcely as one that can justify the billions of pounds of public and private cash allocated each year to research and development. Yet the media are less to be blamed for their devotion to a time-honoured tradition than is the British Association for the Advancement of Science for its apparent failure to exploit a golden opportunity. This is nothing less than the chance to present the case to a wide public—abetted even by Ministers—that science really does have a significant role to play in the Government's industrial strategy.

CRICKET BY TREVOR BAILEY

Sussex all-sorts players carry off Gillette Cup

THREE MIDDLE-AGED—in the cricketing sense—former Surrey players, two Pakistanis, an opener from Ceylon, a novice slow left-armer, a bowler turned batsman, a Cambridge blue and an old Etonian were the improbable combination which carried off the Gillette Cup at Lords by beating the favourites, Somerset.

Sussex deserved their victory, but one could not help feeling sorry for Somerset who had never won a major honour. They failed again yesterday against Essex in the John Player match.

The most significant feature of 1978 has been a marked increase in the quality and quantity of young, homeborn players to be found in county teams. This welcome trend was well illustrated by individual performances in the Gillette final.

Over the years, this game has tended to provide the ideal setting for some great overseas cricketer to demonstate his skill. A Clive Lloyd, an Asif Iqbal or a Mike Procter, but on Saturday all the serious candidates for the Man of the Match were representatives of the new breed, Ian Botham, John Barclay, and Paul Parker.

Frustrating

In contrast, the contingent from abroad had a distinctly frustrating day. Imran Khan sent down surely one of the most expensive first overs in this competition, conceeding 14 runs, and failed with the bat. Javed Miandad dropped a catch and made a duck: Joel Garner, in spite of a threatening opening spell, acquired only one wicket; and Vivian Richards had to settle for a comparatively subdued 44.

It could well be that Somerset have become over-dependent on their West Indian genius, who supplied them with two centuries and a 50 on their march to Lords.

A good innings from Vivian is usually sufficient to ensure his team victory in limited-over cricket, providing the bowlers perform adequately. This fact has camouflaged a distinctly limited attack, lacking variety and consisting of Garner and Botham, plus three typical seamers in support.

Once their two strike bowlers have been seen off most counties would fancy their chances of jogging along on a good pitch at four runs per over against them, as shown in previous rounds when Warwickshire scored 293, Glamorgan 260 and Essex 287.

Although Ken Barrington made Paul Parker his Man of the Match for an admirable 62 not out, which, with Phillipson's help, steered his team home after they had slumped from 90 for 0 to 110 for four, my own preference would have been John Barclay.

He was the most economical bowler on either side, once again emphasising the importance of slow bowlers in the one-day game—providing they are accurate, are used at the right time and are given the right field. Barclay attended to the first requirement and Long, as captain, who never missed a trick, looked after the other two.

In his very tidy spell, the young Sussex off-spinner accounted for both Richards—who could well have taken control after lunch—and Marks. He followed this up by providing his side with the positive profitable start it required scoring 44 valuable runs.

Barclay is a competent county all-rounder; whether he goes higher will probably depend on how his off-break bowling improves. One can imagine him pressing for international honours as an all-rounder, but not simply as a batsman. Fortunately, he has the application needed to progress from a change bowler to a leading wicket-taker but he will also require the opportunities.

Parker, who has exceptional ability and a splendid temperament, should be challenging for an England place within three seasons. Fortunately for the selectors but unfortunately for him, there is an exceptional crop of young batsmen about to emerge and the competition is likely to be hard.

The period of more than a decade during which the English batting line up has been short—sometimes almost devoid of players of real class—is nearing an end.

Cruising

Botham is destined to be Man of the Match on many occasions in the future and he was not far away on Saturday. His innings of 80 was the biggest and could have been even larger if Taylor had improvised to give him more of the strike. It was also the most spectacular including a remarkable six to mid-wicket off Arnold which will be long treasured.

After tea, when Sussex were cruising home, it was Botham who pulled out that little extra to bring Somerset back into the game.

When he came on for his final fling against Parker and Phillipson in full cry, he was burnt out and showed his lack of experience by losing his line and length and was severely punished. But what a tremendous all-rounder he already is, what a competitor, and what vitality—a potential match winner with bat, ball and in the field.

As a bowler, he is essentially an attacker who challenges the opposing batsmen to drive him and maintains a full length. His style is really more suited to the demands of test than limited-overs cricket where the denial of runs is so vital. As a batsman he has power, the strokes and the time. My one question mark concerns his ability against a spinner who flights the ball.

Guernsey fish boom follows oil disaster

THE AMOCO Cadiz oil disaster which polluted miles of French shoreline has proved a boom for Guernsey fishermen.

During the spill and the clean-up operation, many French fishermen were engaged in fighting the spread of oil, and Guernsey catches were eagerly bought up by the French. Now a flourishing export trade has been established.

So far this year more than £500,000 of shellfish have been shipped to the French markets. Fish catches have also increased.

Hattersley to open Beer Festival

MR. ROY HATTERSLEY, Prices Secretary, will drink the first pint when he officially opens the second Great Britain Beer Festival at the Alexandra Palace, London tomorrow.

The festival, organised by CAMRA, the Campaign for Real Ale, ends on Sunday, and the organisers hope more than 50,000 people will attend and drink the 250,000 pints of beer laid on.

TENNIS BY JOHN BARRETT

Forood knocks Wade out of U.S. Open

AS THE $552,480 U.S. Open enters its second week, Virginia's Wade's involvement will be restricted to commenting on television about the fortunes of her fellow professionals.

In two hours of frustration yesterday, the No. 3 seed was beaten 6—3, 2—6, 6—3 by Lele Forood of San Francisco who is 22 on Saturday.

While the two top seeds were winning easily — Martina Navratilova 6—1, 6—2 against former Czech Marie Pinterova and Chris Evert 6—1, 7—5 against Caroline Stoll of America, another seed was beaten.

Diane Fromholtz, the left-handed No. 6 seed from Australia lost 6—2, 7—5 to another of the growing army of young American hopefuls, Stacy Margolin, 19, of California.

On this year's faster surface Miss Wade hoped to add a second U.S. Open title to her 1968 success but Miss Forood too, thrived on familiar cement.

Last year, the 30th ranked American who attends Stanford University, was voted Most Improved Newcomer by the Women's Tennis Association.

In the critical third set it was easy to see why. Leading 3—2, she denied Miss Wade four game points before breaking the 1977 Wimbledon Champion's service and in the next game coolly saved a break point before holding her own delivery.

Miss Forood was steady and intelligent and repeatedly contained Miss Wade's attempts to impose her heavier game so that it was no surprise when she calmly held serve to love to score the best win of her career.

After last year's disappointing loss to Australia's Wendy Turnbull in the quarter finals, Miss Wade must question the wisdom of working for television while she is still competing. At this level success demands total dedication.

On Saturday evening it began to look as if the brave decision to move the U.S. Open from the relative peace of the West Side Tennis Club, at Forest Hills, to the new $9.5m complex at Flushing Meadow Park was a mistake.

Second-seeded Jimmy Connors—the top-ranked American who is the only man to have appeared in four consecutive U.S. Open finals—was three games all and 30—all on his serve in the final set of his third round match against Pat Du Pre of Ariston Alabama and ranked 43rd nationally.

Every few moments both men would wait while the reverberating roar of the jets taking off from nearby La Guardia Airport died down.

Concentration was a serious problem but equally difficult was the timing of the ball on the racquet—as anyone who has tried to play tennis suffering from temporary deafness understand.

Connors survived 7—[illegible] 6—3, and maintained a [illegible] silence on the difficulties of [illegible]ing at the new venue.

The leading Canadian [illegible] Genois, who surprisingly [illegible] the No. 10 seed Alex Ma[illegible] the opening round, brought a much-needed touch of humour to the situation. "I threw the [ball] up to serve and it ended [in] Miami — caught in the [under]carriage of a passing [plane]," he joked.

Concentration at two points of his match against fourth-seeded Paul Ram[irez] [of] Mexico ended the hopes of Britain's last surviving [singles] player, John Lloyd.

Having lost the opening [set] 6—2, the British No. 2 [lost his] serve at once in the second [after a] lead one-love, but lost his delivery from 40—15 by [over]pressing.

Four games later he repeated the process, so that a set [he] should have won was cast away and with it the match, on [his] own failure to play tight [points] when it mattered.

Two more of the men's seeds were eliminated on Saturday bringing the total to five. The impressive young Argentine Jose Luis Clerc, seeded 13, was beaten 6—3, 6—2 by the [illegible] ranking American Bob Lutz, the 14th seed. Wojtek Fibak of Poland, was a 6—4, 7—5 victim of the powerful Californian Butch Walts.

The 32 survivors in the women's singles included [three] interlopers. Renata Tomanova is one of five Czech-born players in the third round by virtue of default from the No. 10 seed Mima Jausovec of Yugoslavia whose wrist injury forced her to retire with Miss Tomanova leading 6—2, 4—2.

Another Czech survivor is the 16-year-old prodigy Hana Mandlikova, who put out America's No. 14 seed JoAnne Russell 6—[illegible] 3—6, 6—2—a remarkable confirmation of this young player's advancing status.

The third intruder is the young Florida girl Bettina Bunge, who beat the No. 8 seed Marise Kruger in her opening match and won again on Saturday 6—3, 6—3 against fellow American Kathy Kuykendall.

RACING BY DOMINIC WIGAN

France's Galiani shows promise

THE ST. LEGER favourite, Ile de Bourbon, hardened predictably with all the major firms following the news of Whitstead's mishap on Friday. But opinions seem to be sharply divided as to whether he really is the "racing certainty" for September 16.

With a rating of 143 for Ile de Bourbon, Timeform recently rated the Fulke Johnson Houghton colt 5 lb clear of the retired Shirley Heights, from whom he received 10 lbs. and a head beating at Newmarket in the spring.

Timeform's weekly black book concluded its latest commentary on the Nijinsky colt with this reference: "Only having to be hand-ridden to smoothly win the Geoffrey Freer Stakes at Newbury in August by one and a half lengths from Paico; will stay well: seems to act on any going: the top-three-year-old colt, and has the St. Leger at Doncaster at his mercy."

I find it difficult to see why France's Galiani can still be backed at 8-1. Showing vast improvement on anything he had previously achieved when belying odds of 95-1 in the 14-runner Grand Prix de Paris at Longchamp in June, Galiani ran out a narrow but deserved winner from Roi de Mai and Whitstead.

The ground then was fast for the Price colt, but Maurice Zilber has always made it clear that he feels that an easy surface would be to the advantage of Galiani.

Ile de Bourbon has certainly made tremendous strides since early summer. But judged by Galiani's shock triumph following the scrambled victory in a maiden event, the same can be said for him with even more certainty.

Latest St. Leger odds are 8-11 Ile de Bourbon, 7-1 Le Moss, 8-1 Galiani, 14-1 Araphos, 20-1 Duke of Normandy and M-Lolshan and 25-1 Roscoe Blake.

Blinkers applied for the first time could well see Findon's juvenile Speed Bonnie Boat obliging for the first time in Nottingham's Delirium Stakes. An hour later, the progressive Shaftesbury could complete a double for Price through a win in the Tulyer Nursery.

NOTTINGHAM

2.00—Speed Bonnie Boat***
2.30—Gavel
3.00—Shaftesbury**
3.30—Gay Twenties*
4.00—Cole Porter
4.30—Lady Abernant

TV/Radio

BBC 1

+ Indicates programme in black and white.

6.40 am Open University (Ultra High Frequency only). 12.45 pm News. 1.00 Pebble Mill. 1.45 Mr. Benn. 4.18 Regional News for England (except London). 4.20 Play School (as BBC 2 11.00 am). 4.45 James and the Giant Peach. 5.35 Ivor the Engine.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
6.40 "Chitty Chitty Bang Bang," starring Dick Van Dyke and Sally Ann Howes.
9.00 News.
9.25 Holocaust.
11.00 Tonight.
11.40 Weather/Regional News.

All regions as BBC 1 except at the following times:

Wales—1.45-2.00 pm Pili Pala. 5.55-6.20 Wales Today. 6.40 Heddiw. 7.10 Hugo Van Lawick's Africa. 8.00-9.00 The Superteams. 11.40 News and Weather for Wales.

Scotland—5.55-6.20 pm Reporting Scotland. 11.40 News and Weather for Scotland.

Northern Ireland—4.18-4.20 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.40. News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

Trades Union Congress—"Live" coverage from Brighton at times to be announced.

6.40 am Open University.
11.00 Play School.
4.55 pm Open University.
7.00 News on 2 Headlines with sub-titles.
7.05 World Chess Championship Report.
7.20 News on 2.
7.25 Grapevine.
8.05 John Williams' World of Music.
9.00 The Goodies.
9.30 A Curtain Call for Molière.
10.15 Oneupmanship.
10.45 Hospital.
11.20 Late News on 2.
11.40 Closedown (reading).

LONDON

9.30 am Search for the Super. 10.20 Oscar. 10.30 Little House on the Prairie. 11.20 21st Century. 11.45 Cartoon Time. 12.00 Paperplay. 12.10 pm Rainbow. 12.30 At The Embankment. 1.00 News plus FT index. 1.20 Platform. 1.30 About Britain. 2.00 Summer After Noon. 2.25 Trades Union Congress. 4.20 Clapperboard. 4.45 Enid Blyton's Famous Five. 5.15 Gambit.

5.45 News.
6.00 A Town Called ... Ostend.
6.30 Crossroads.
7.00 Coronation Street.
7.30 The James Bond Film: "On Her Majesty's Secret Service."
10.00 News.
10.30 Last Summer.
11.30 The Streets of San Francisco.
12.25 am Close: Dorothy Tutin reads from "The History of England," by Jane Austen.

All IBA regions as London except at the following times:

ANGLIA

9.30 am Child Life in Other Lands. 9.55 Talking Bikes. 10.20 Little House on the Prairie. 11.10 Magic Circle. [illegible]

ATV

10.20 am Survival. [illegible]

BORDER

9.45 am Survival. [illegible]

CHANNEL

1.18 pm Channel Lunchtime News and What's On Where. [illegible]

GRAMPIAN

[illegible]

GRANADA

[illegible]

HTV

[illegible]

HTV Cymru/Wales—As HTV General Service except 1.20-1.25 pm Penawdau Newyddion y Dydd. 2.00-2.25 Hamdden. 6.00-6.22 Y Dydd. 10.35-11.05 Images.

HTV West—As HTV General Service except 1.20-1.30 pm Report West Headlines. [illegible]

SCOTTISH

[illegible]

SOUTHERN

[illegible]

TYNE TEES

[illegible]

ULSTER

[illegible]

WESTWARD

[illegible]

YORKSHIRE

[illegible]

RADIO 1 247m

[illegible]

RADIO 2 1,500m and VHF

[illegible]

RADIO 3 464m, Stereo & VHF

[illegible]

RADIO 4 434m, 330m, 285m and VHF

[illegible]

BBC Radio London 206m and 94.9 VHF

[illegible]

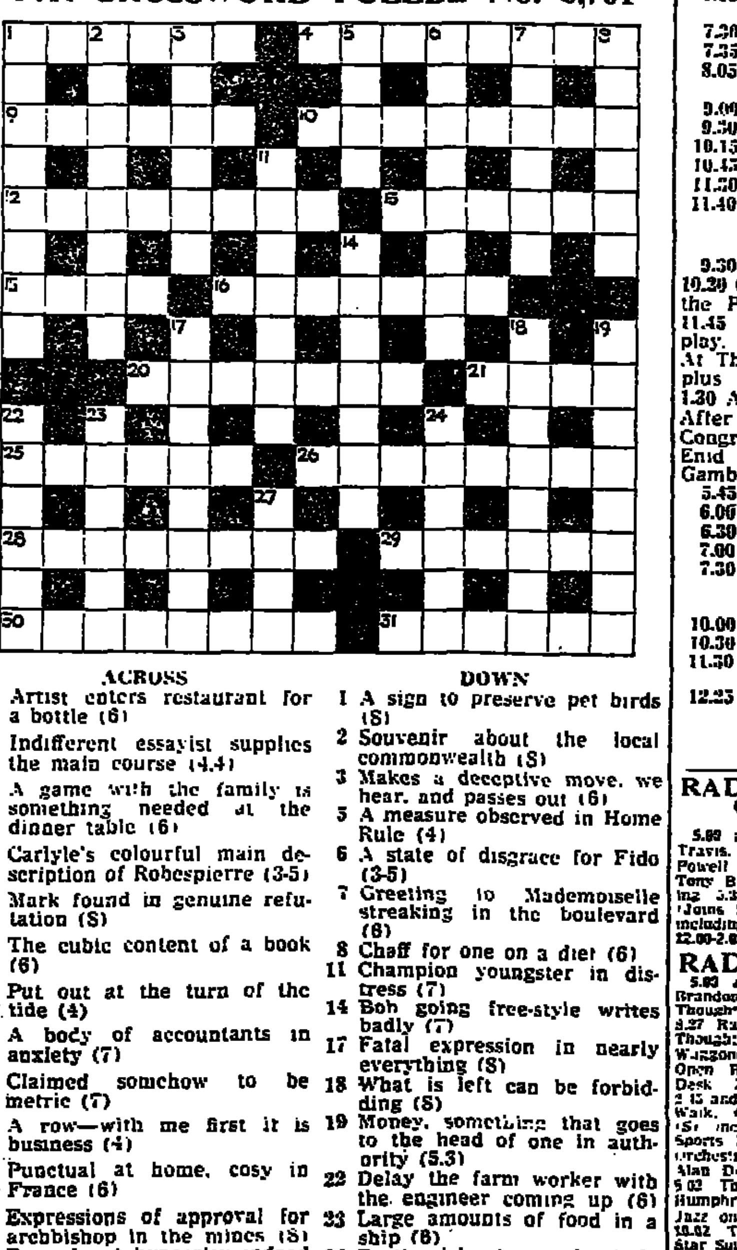
London Broadcasting 261m and 97.3 VHF

[illegible]

Capital Radio 194m and 95.8 VHF

[illegible]

F.T. CROSSWORD PUZZLE No. 3,761



ACROSS

1 Artist enters restaurant for a bottle (6)
4 Indifferent essayist supplies the main course (4,4)
9 A game with the family is something needed at the dinner table (6)
10 Carlyle's colourful main description of Robespierre (3-5)
12 Mark found in genuine refutation (5)
13 The cubic content of a book (6)
15 Put out at the turn of the tide (4)
16 A body of accountants in anxiety (7)
20 Claimed somehow to be metric (7)
21 A row—with me first it is business (4)
25 Punctual at home, cosy in France (6)
26 Expressions of approval for archbishop in the mines (8)
28 Poured out hypocrisy indeed (8)
29 The least bit of clothing gives a pain in side (6)
30 A bloody, bold follower (8)
31 Mystery party takes in the sapper (6)

DOWN

1 A sign to preserve pet birds (8)
2 Souvenir about the local commonwealth (8)
3 Makes a deceptive move, we hear, and passes out (6)
5 A measure observed in Home Rule (4)
6 A state of disgrace for Fido (3,5)
7 Greeting to Mademoiselle streaking in the boulevard (6)
8 Chaff for one on a diet (6)
11 Champion youngster in distress (7)
14 Boh going free-style writes badly (7)
17 Fatal expression in nearly everything (8)
18 What is left can be forbidding (8)
19 Money, something that goes to the head of one in authority (5,3)
22 Delay the farm worker with the engineer coming up (6)
23 Large amounts of food in a ship (6)
24 Pretty girl gets round quietly in the football match (3-3)
27 Inclined to be crooked (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Intl. Watch and Jewellery Trade Fair (cl. Sep. 7)	Earls Court
Current	Giftware and Fashion Accs. Trade Fair (cl. Sep. 7)	Bristol Exhibition Centre
Current	SBAC Exhibition and Flying Display (Trade—Sep. 4—7, Public—Sep. 8—10)	Farnborough, Hants.
Sep. 5—7	Electronic Displays Exhibition	Mount Royal Hotel, London
Sep. 5—8	International Carpet Fair	Harrogate
Sep. 11—14	Electrical and Electronics Exhibition	Bristol Exhibition Centre
Sep. 17—20	MAB International Menswear Fair	Earls Court
Sep. 13—21	European Conf. of Rehabilitation International and National Aids for the Disabled Exhibition	Brighton Centre and Hotel Metropole
Sep. 19—21	First Int. Conf. and Exbn. on Isostatic Pressing	Loughborough
Sep. 19—21	Firefighting and Prevention Exhibition	Eastbourne
Sep. 20—25	Hi-Fi 78 Exhibition	Cunard International Htl., W6
Sep. 24—27	International Garden and Leisure Exhibition	Nat. Exbn. Centre, Birm'ham
Sep. 25—29	Furnaces, Refractories, Heat Treatment and Fuel Economy Exhibition and Symposium	Nat. Exbn. Centre, Birm'ham
Sep. 25—29	International Broadcasting Conv. and Exbn.	Wembley Conf. Centre
Sep. 26—28	Mailing Efficiency Exhibition	Bloomsbury Centre Hotel
Sep. 28	Petroleum Equipment Exhibition	Treetops Hotel, Aberdeen

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	International Trade Fair (cl. Sep. 10)	Leipzig
Sep. 5—8	Third International Offshore North Sea Technology Conference and Exhibition	Stavanger
Sep. 9—12	Salon du prêt-a-porter féminin (autumn/wntr cols.)	Paris
Sep. 9—12	International Men's and Boys' Wear Trade Show	Paris
Sep. 9—15	International Leather Week	Paris
Sep. 11—13	North East Lancs. Dev. Assoc. promotional exbn.	Brussels
Sep. 11—15	International Electra and Mining Exhibition	Johannesburg
Sep. 11—15	International Mining Exhibition	Belgrade
Sep. 12—15	International Congress and Exbn. on Data Processing	Berlin
Sep. 13—17	Int. Trade Exhibition for Home Improvements	Stuttgart
Sep. 13—21	International Engineering Fair	Brno
Sep. 15—24	International Autumn Fair	Zagreb
Sep. 19—22	Coffee Symposium and Trade Fair	Montreaux
Sep. 19—Oct. 1	International Trade Fair	Tehran
Sep. 22—25	Exhibition and Trade Fair of the Turkish Textile and Ready-to-Wear Industry	Basle
Sep. 24—27	Quojem: Hardware Trades Exhibition for retailers, wholesalers and manufacturers	Paris
Oct. 1—15	International Trade Fair	Baghdad
Oct. 5—14	International Trade Fair	Bucharest

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Sep. 6	Brunel University: Noise in Industry	Uxbridge, Middlesex
Sep. 6—7	Henley Centre: Practical Training in Forecasting	Carlton Tower, SW1
Sep. 7	European Study Confs.: Profitable Exploitation of Microprocessor Technology	Hilton Hotel, W1
Sep. 7—8	Council of Europe: Civic Participation, covering joint influence and municipal democracy	Stockholm
Sep. 7—8	Brit. Inst. of Management: Management Accounting for Non-Financial Managers	Parker Street, WC2
Sep. 7—8	Brunel University: What is organisation development?	Uxbridge, Middlesex
Sep. 7—9	British Junior Chmbr. of Commerce Golden Jubilee National Conf.	Northampton
Sep. 10—15	Inst. of Personnel Management: Advanced Interviewing and Assessment Skills	Oxford
Sep. 10—15	Bradford University: Practical Skills of Managing People at Work	Bradford
Sep. 11	Brit. Inst. of Management: Unfair Dismissal	Parker Street, WC2
Sep. 11—15	Abraxas Synectics—Innovative Skills	68, Churchway, NW1
Sep. 11—15	Brunel University: Production Management and Human Behaviour; also — Workplace Negotiations	Uxbridge, Middlesex
Sep. 11—15	Inst. of Cost and Management Accountants Summer School: Achieving Productivity and Reward	Surrey Univ., Guildford
Sep. 11—29	Brit. Transport Staff College: Strategies in Passenger Transport—Present and Future	Farnborough, Hants
Sep. 12	CAM Foundation: Selling Solutions—not just White Space	Daily Mirror, EC4
Sep. 12—14	Inst. Personnel Management: Manpower Planning	Whites Hotel, W2
Sep. 13	Henley Centre: Background Forecasts for Corporate Plans and Budgets to 1983	Carlton Tower, SW1
Sep. 13	Context Training: Managers' Course	Café Royal, W1
Sep. 14	Inst. of Marketing: Trading in the 1980s	London Hilton, W1

Edinburgh Festival

'Carmen' revived by MAX LOPPERT

Music was always the favourite child of Peter Diamand's festival directorship, and in his 13th and farewell year the operatic favours in particular have been bountifully bestowed. There are visits from the opera companies of Zurich and Frankfurt—the Monteverdi "cycle" of the former must have a piece to itself. Scottish Opera has presented its admired and well-travelled *Pelléas et Mélisande*. And last year's *Carmen*, in the Festival Opera production by Piero Faggioni, conducted by Claudio Abbado, that marked Teresa Berganza's first appearance in the title rôle, was revived for five performances.

I had not seen the Bizet staging before, and, though reports (*including those in these* columns) had been unsparing in its praise, was still slightly unprepared for the ravishing play of colours in Ezio Frigerio's designs—there can have been few *Carmens* in the history of the opera more beautiful to look at, more consistently distinguished by taste, delicacy, and a muted subtlety from which Mediterranean warmth has not been excluded. In Victor Lockwood's lighting, Lillas Pastia's tavern was a Goya come to life, but without any of the Old Master vulgarity or the simple-minded pictorialism that this might suggest; the scene could give a lesson to some recent recruits to opera design from the world of painting in the necessary art of rendering a carefully composed stage picture dramatically malleable. (If, as is now rumoured, Scottish Opera will not be absorbing the production into its repertory, what on earth is to become of a stage setting surely too practical as well as too beautiful to be consigned to the warehouse?)

Indeed, I shall remember the evening principally for its visual and orchestral delights. Under Abbado, the London Symphony Orchestra glinted and shone; the much-played score sounded quite fresh, so clear and brilliant was the rhythmic charge, the balance of textures, the mixture of colours with which the music was given. It was not the most languorous *Carmen* imaginable; there was litle of the lazy, lingering sensuousness which less energetic conductors have discovered in the opera. Except in the prelude to Act 3 (its flute solo exquisitely played by Peter Lloyd), the conductor showed himself chary of rubato, of encouraging in the singers the nuances and inflections dictated by verbal stress that would invite this kind of sensuousness. (With only one native speaker in the cast, the French language was in any case not very kindly treated.) In a conductor less fully in command of his forces than Abbado, such determination in moving the music forward might be deemed a fault; but so complete was the control, and so convinced and thorough the approach, that talk of fault seemed out of place.

But such a *Carmen*, stripped of all tourist gimmickry for the eye or superficial glamour for the each, needs a uniformly powerful cast of singing actors, and this it failed to receive. In Placido Domingo's absence, the role of *Done José* fell this year to Pedro Lavirgen. The title role, one almost wants to write; for in Faggioni's production, with its questionable but (in the heat of the moment) immensely effective series of flashbacks-in-mime during the orchestral preludes, José is placed at the centre of the drama. In the raw, unlyrical tones of a flamenco *cantaor*, and in garbled French, the Spanish tenor belted out his share of the duet with Micaela; and the centre seemed sadly empty. And yet, when one had given up expecting anything but the vocal worst, the performance pulled together; Mr. Lavirgen was inspired to ever-growing intensity, and a measure of vocal cleanliness, by the spiralling progress of the character's downfall. He played the final scene with a kind of frantic emotional nakedness, not subtle but sincerely meant in every gesture, that proved very moving. It was an honourable portrayal, carried out with less than satisfactory vocal means—but that is not the same thing as the first-rate José the production demands.

A graver, if far more cleverly disguised, weakness was in Carmen herself. To say that Miss Berganza almost achieved a victory of intelligence and thoughtful study over physical and vocal unsuitability would be going perhaps a little far. She flashed out with tough, impatient humour in the early stages of the opera—I have never seen a Carmen more easily or naturally funny. The voice, though less magnetic (and, strangely, less well-tuned) than one knows it to be, sailed brightly through the Habanera and the Seguidilla. But Miss Berganza, however she may argue the nature of the character in her programme note, looked endearing when she should exert a more compelling attraction and bounced across the stage, busily adjusting shawl and rose, when we wanted her to be still. More seriously, there was, even in the King's Theatre, not enough voice for the darker developments of the music—while resources were expertly husbanded, their limits were always apparent. In this production more than in most, Carmen needs to be the rock on which José is dashed to pieces; and, for all its incidental fascinations, Miss Berganza's Carmen's inability to become that rock increasingly devitalised the whole performance.

Ileana Cotrubas was a Micaela lovely to look at, and one who drew life from the words in a way only Jean Lainé's dashing Zuniga was able to equal, but she seemed in uncertain voice, thin and tremulous about its middle region. Tom Krause, singing strongly, was not one of those Escamillos so lithe to look at and so vivacious of voice that the least interesting part in the opera springs to life. There was busy activity in smaller roles (Susan Daniel's Mercedes and Gordon Saudison's Dancaïro must have brief mention), and yet the feeling of a tightly woven web of teamwork, that sometimes comes during much more ordinary repertory performances was missing.

Teresa Berganza and Tom Krause

Three Choirs Festival

Saint-Saëns Requiem

by RONALD CRICHTON

The Requiem Mass of Saint-Saëns, op. 54, was the result of a legacy from a French Postmaster General who wanted to free the composer from the drudgery of being organist at the Madeleine in Paris. There was a stipulation, that a Requiem should be written. Later the benefactor changed his mind about this, feeling that he was being presumptuous. Saint-Saëns nevertheless honoured his original obligation but was forced to do so in a hurry, shutting himself up in a hotel in Berne, writing and scoring the whole work (about the dame length as Fauré's, which it predated by some years) in eight days. The first performance took place at Saint-Sulpice, under the comoser's direction, in 1878. Thursday afternoon's Three Choirs performance in Worcester Cathedral was apparently the first full one (with orchestra) in England.

That the result is superficial need surprise nobody. At the best of times Saint-Saëns was not the man to plumb religious depths. The music skims along with impeccable craftsmanship, the writing economically transparent as ever. Only the quietly throbbing "Rex tremendae" strikes a note of personal involvement, though the *Agnus* works up a soaring theme on the violins effectively, and the "Oro supplex" has a touch of Fauréan intimacy—the two composers were close friends, and Fauré eventually succeeded his older colleague at the console of the Madeleine. There are also some vacuous pages, for example the "Sanctus" and "Benedictus," mini-Liszt of the weakest dye.

The performance by the Festival Choir and the BBC Northern Symphony Orchestra under Donald Hunt matched the music's smoothness. The four soloists, of whom only the tenor has much to do, were Jane Manning, Margaret Cable, Kenneth Bowen, David Thomas.

The Requium was to have been preceded by a new work from Edwin Roxburgh. Since this was not ready, we heard more music by the 1978 "festival composer," Berkeley. This included the substantial Magnificat written ten years ago for the City of London Festival and given then in St. Paul's. Worcester's acoustics are incomparably better, but on Thursday afternoon the festival choir sounded tentative and weightless. So once again, but for a different reason, what appears to be an attractive, thoughtfully-made work failed to make the impression of which it is surely capable. The orchestral nocturne *Voices of the Night* (not to be confused with the earlier *Nocturne of 1948*) on the other hand came across cool and clear with Sir Lennox himself conducting.

After the concert, an organ recital consisting of Messiaen's *La Nativité du Seigneur* of 1935. Intentionally or not, this was good planning, Messiaen providing exactly the French qualities missing from the Saint Saëns Requiem. Mystical rapture, a touch of sweetness, rhythmic and harmonic inventiveness—all of these were impressively realised in a *performance of* great fervour and panache which nearly succeeded in disguising the fact that the organ was not entirely well tuned.

Albert Hall/Radio 3

Curzon and Gavrilov by RONALD CRICHTON

Prom programmes are sometimes less stimulating in performance than in conception. There have been signs this year of under-rehearsal: a musical visitor from overseas might have been more impressed by the number and potential of our orchestras than by their achievement. Friday and Saturday, however, brought consecutive evenings of playing by the Philharmonia under Muti on a level of precision, brilliance and imaginativeness not to be taken for granted at the South Bank concerts to which so many of the promenaders apparently won't go. Each concert had as soloist a pianist of great distinction; one British, one Russian, born nearly half a century apart.

Sir Clifford Curzon delights in Mozart's K488 in A major. Although one can't help regretting that he hasn't in recent years at least, played more Mozart concertos more often, the results of his delight in this one remain considerable. On Friday the Adagio sang more sadly and sweetly than ever. The finale, taken at a speed which if adopted by less experienced pianists one might describe as judicious, had even more than usual of Curzon's sly wit — each new rondo theme brought new tone-colour. A rebuke indeed to rushers and scamperers, though few of these, if compelled to play the movement so sedately, would keep it alive. Muti and the orchestra, who had previously drawn the finest contrasts of timbre from the strings-and-drums *Serenata notturna* (K239), vied with their soloist in expressiveness.

Saturday's pianist was the young, colossally gifted Andrei Gavrilov. He chose Ravel's Concerto for the Left Hand, lavishing on the score the exhilarating combination of physical strength, exceptional technique and warmly communicative musicianship of the very finest Russian performers. But as usual with this artist, it wasn't so much satisfaction with what he did (though there was plenty of that) that counted, as interest in what he seems likely to be able to do in the future with he phenomenal gifts and his richly giving nature.

The orchestral part was flashing, forceful and, in the tick-tock jazz-scherzo pages, beautifully exact. With a pianist of such strength, the temptation to let rip must have been great, though one has heard less insistently brilliant readings which made both the outward splendour and the inward nightmarishness of the concerto just as apparent. What Muti did bring out clearly was the close juxtaposition in Ravel's style of exquisiteness with vulgarity.

At any rate, the experience was striking and satisfying enough to tempt me to play truant for the further dose of virtuosity promised by the Mussorgsky-Ravel *Pictures from an Exhibition*. And so, since Mendelssohn's Scottish Symphony at the beginning had been rather heavy-textured (how often does this symphony cheat memories and expectations!), the abiding orchestral recollection of the two concerts will be the five excerpts from Berlioz's *Romeo and Juliet* given on Friday with a fire and eloquence only lessened in the Love Scene by slightly mechanical application of the fluctuating tempo markings. The Introduction and "Romeo at the tomb," which had to serve as finale, and above all "Queen Mab," received the kind of playing that makes life-converts to Berlioz.

Rakhmaninov's Vespers by DAVID MURRAY

During a fortnight in 1915, Rakhmaninov made a setting of the Ordinary of the Vigil of the Russian Orthodox Church. Plainly it was a labour of love, though that did not win it any liturgical use—its romantic colours, piously muted as they are, were thought to be compromising. The composer had to be content with the eager reception his Vespers had on the concert platform. Perhaps he hoped for a change in the ecclesiastical climate; but a far more radical *transformation was in the offing,* of course.

The Vespers were the substance of Thursday's Prom, set in the winking, cavernous depths of Westminster Cathedral. Either John Poole's BBC Singers had borrowed some ultra-basses, or the regular corps has been husbanding subterranean resources for some such occasion as this: the deep, seismic resonance they produced was eminently satisfying. I could not judge the authenticity of their Russian, but the devotional note of the music was truly struck and sustained. Within the stringently prescribed *Orthodox limits*. Rakhmaninov contrived a tactful variety of textures and tones for his 14 *a capella* movements (a 15th is an alternate setting): Poole allowed that to make itself felt without theatrical over-*insistence*. Earnest sweetness pervades the music—fascinating to hear Rakhmaninov striving heroically to *avoid* making effects!—and the eddying flow of liquid dactyls has a peculiar seductive power.

The device of "interspersing" chips of musical Americana between the Liturgical Hours proved less distracting than one had feared when this Prom was *announced*. The pretentiously modest collage of Bach and Decker by Samuel Barber which the Philip Jones Brass Ensemble intoned at the outset of the proceedings was malapropos, though sonorous: but the lesser arcana of Ives and Carl Ruggles made effective punctuation. Ives' *From the steeples and the mountains* is a tiny abstract sketch, with vehemently duetting brass over a clash of bells (I suspect Ives rather hoped for big bells, not just the tinkling chimes we had here). I once heard Ruggles' *Angels* with its original six muted trumpets, and was struck by the realisation that angels *would* sound like that; this version with trombones too probably taxes the players less, and it still sounded gnomically elevated.

Birmingham Rep Studio

Mary Barnes

by MICHAEL COVENEY

Mary Barnes is the most famous success story of the East End community psychotherapy centre founded by R. D. Laing in the mid '60s. The work of Kingsley Hall continues today, in other premises throughout London, and Miss Barnes is still involved. As, indeed, is her mentor and colleague Joseph Berke. In 1971 Barnes and Berke published the story of a journey through madness, a classic account of rehabilitation through patience, erosion of the doctor/patient syndrome, and the discovery of Miss Barnes's talent for painting.

David Edgar has put much of that book very successfully on to the stage. The relationship of Miss Barnes and Dr. Berke emerges as an affecting love story, a moving testament to Laingian theories of helping sacrificial victims of schizoid family set-ups through careful nurturing of temperamental crises and acute withdrawal phases. The play differs from, say, David Mercer's *In Two Minds* in its careful re-creation of the communal hostel, bathed in hot sounds of the '60s and flare-ups among the residents.

Dr. Laing is here represented by the figure of Hugo (Donald Sumpter), a laconic guru who takes a pradoxically authoritative back seat to the efforts of Berke—portrayed as an ebullient American academic—to descend with Mary into the amniotic waters of foetal paranoia and to give as much as he takes. The pattern is set early on when Berke approaches the drop-out nurse who has arrived in Bow "to have a breakdown" and spits back at her the bottled milk she spits at him.

There are candlelit dinners, discussions of psychotic symptoms and revolution, and the gradual emergence, through her dramatic finger-painting exercises, of Mary Barnes as someone with something to offer. Structurally, the play sprawls a bit and Peter Farago's suitably lumpy, bumpy production, goes right along with it. The approach is justified, for there is little attempt to polish up the material so graphically recorded in the book.

The casting is superb, with Patti Love turning in a memorable, humorous portrait of a woman trapped in childish ways and a baroque adherence to the Catholic faith. Eddie (alias Berke) is strongly played by Simon Callow, never above appreciating the absurdity of his role, pulling back from the door to accompany a naked Mary, covered in faeces, up to the bathroom and the protective womb of her bed.

Mercury, Colchester

The Rover

by B. A. YOUNG

It's surprising that this comedy should have been so long ignored. It was a great favourite for almost a hundred years after its first performance in 1677; then it fell into complete neglect, though the text is included in the handsome four-volume collection of Restoration plays published four years ago by the Folio Press. The Mercury has a happy way of producing such *half-forgotten plays out of the* bag, and *The Rover* is no disappointment.

It has not the wit and satirical sting of Congreve or Wycherly, but there is a lot of fun in its conventional plot, a matter of sorting out wives for a bunch of English Cavaliers in festive Naples, where no doubt they have gone for political asylum. The action depends mostly on sharp individual characterisation of the men and women in a generous assortment of sexual encounters.

As in *Much Ado About Nothing*, the romantic hero and heroine are relegated to second place. Belvile (Richard Frost) is courting a Spanish lady Florinda (Caroline Harris)—Naples being at that time a Spanish province, as we are reminded by the incidental music by Ilona Sekacz and the accent of Florinda's brother Don Pedro (Peter Yapp), though the reminders are fugutive at best. Florinda is unhappily affianced to Don Vincentio, whom we never see. She has a *sister Hellena, destined* to enter a nunnery, and a cousin Valeria.

The eponymous Rover is Willmore, who, arriving a little late on the scene, proves himself a joker in the sexual pack, his amorous tendencies being defined in his name (though it is thought this may also refer to the Earl of Rochester, whose surname was Wilmot). Willmore, it must be said, is somewhat wanting in the wit such a character should possess, and David Sadgrove is content to make him a roaring boy. Hellena, his main prey, is a more entertaining person altogether, and Lynn Dearth infuses drollery into her lines with a performance, which includes a scene in breeches, that ought to tempt other actresses towards the part.

Besides the respectable gentlemen of the office class and the respectable ladies of the Spanish nobility, there is an odd one out on each side. Angellica Bianca, the city's leading whore, is one —as soft-centred harlot, for though in a splendid comedy scene, she has Ned Blunt, the Essex squire, dropped into the sewers à la Sweeney Todd, she actually rewards Willmore for his services with a purse of gold which he sadly needs at the time.

Blunt is the other odd man out, a simple country gentleman much resembling the notional English tourist of our own day with his belief that abroad it is natural to be naughty. He is entertainingly done by Tony Wiles, especially in the scene where he indulges in wild sexual fantasies such as we still encounter in paperback novels. Angellica (Celestine Randall) emphasises her golden heart at the expense of her gold-filled coffers; but as it is possible that Mrs. Behn meant her to represent herself perhaps this is mere courtesy on her part.

It's interesting to examine throughout the play how much more deeply explored the women characters are than the men. Mrs. Behn was in her way a portent of Women's Lib. showing in the plentiful amorous intrigues of her plays the reverse of the pictures shown by Congreve and company.

Visiting companies in the Theatre Upstairs

During the autumn two visiting companies will be presenting new plays in the Theatre Upstairs at the Royal Court. First is Pirate Jenny in *Emigrants* by Peter Sheridan from September 18-30.

The play deals with the plight of the thousands of Irish men and women who crossed the Irish Sea to England in the last century to escape starvation and death in their own country.

Second of the two companies is Lumiere and Son in *Nightfall* by David Gale from October 2-14. This is said to be "about the effects of oppression on people's inner lives." The dream life of the characters is realised with the aid of water-tanks, devices for flying performers through the air, giant dolls and extraordinary costumes.

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Compromise in the air

THERE WERE always two dangers in the decision on the future of the British aerospace industry which seems to have been facing the Government for most of this summer. On the one hand there was the danger that the industry could go basically American only to find that it was being reduced to the role of sub-contractor to the larger and more powerful U.S. corporations. On the other hand there was the danger that a decision to go European, however desirable for political reasons, could turn out to be uncommercial.

Co-operation

The decisions announced in the last few days go some way towards suggesting that both these dangers have been avoided. On the assumption that the French are only demanding the highest possible price for British re-entry into the Airbus consortium, rather than seeking to keep Britain out altogether, it looks as if British Aerospace will achieve a good deal of what it wanted. It should be able to continue and intensify co-operation with partners it knows and to do so on a more equal basis than might have been possible with, say, Boeing.

On the aero-engine side there can be no doubt about the genuineness of the satisfaction expressed by Rolls-Royce. Over the past few years the company has geared its developments overwhelmingly to the American markets. There may be some reservations about the wisdom of this, but equally without new orders now the company would have been in severe difficulties and there was little immediate prospect of quick orders coming from Europe. As for British Airways, it too is satisfied. It wanted to buy American aircraft with Rolls-Royce engines, and it has been allowed to do so.

From the strictly British point of view all that might look like the best of all worlds, which may be one of the reasons for the French irritation. It should be remembered, however, that certain principles have now been established. It is no longer possible for one company or even one country to go it alone in the mainstream of aerospace: co-operation has become the order of the day. At the same time there has been no straight confrontation between the Europeans and the Americans. It is feasible for the Europeans to co-operate among themselves on some projects and with the Americans on others — a fact, incidentally, which has always been recognised by the French in their co-operation with the U.S. on aero-engines.

Not least, the announcements of the last few days can be seen as only the beginning of a new period of collaboration in the aerospace industry. There are other new projects to come, especially in the military field, and it is to be hoped that the same pattern of flexible co-operation—with some European and some Euro-American projects—will be possible here. That would be one way of easing the problem of standardisation in NATO, and also of reducing the present imbalance in European - American arms transfers.

Competition

Nor need the latest arrangements be regarded as necessarily static. There is no reason why the Airbus consortium should not woo British Airways for orders in the future, perhaps by inviting the airline to submit its own specifications. That, after all, was the way the original consortium won round a once reluctant Lufthansa. Equally Rolls-Royce should exploit every possible opportunity to win a larger share of the European market. It may have landed on its feet this time, but there are dangers in being too exclusively tied to the Americans.

It remains, of course, that the new aircraft still have to be sold in sufficient numbers to make them commercially viable. The competition will still be severe but, all in all, the prospects at least look better than they did a few months ago.

Italy faces a deadline

ITALY's political and economic problems have long seemed so intractable that it is not surprising that its governments have repeatedly put off the attempt to do anything fundamental about them.

The present Government is no exception to this general rule. It has just tabled a major programme, designed to get the country back on the path of economic recovery over the next three years. But it has done so up against a series of very pressing deadlines, and has postponed any action on one of the most important issues.

The main aims of the programme are undoubtedly ambitious: a cutback in Italy's apparently uncontrollable public sector deficit, through reductions in welfare spending; a further slow-down in the rate of inflation, to bring it into single figures; a public works programme, especially in the south, to hold down the level of unemployment; and a thorough reform of the entire system of public administration.

Indeed, it may well be wondered whether the programme is unrealistically ambitious. Cuts in the public sector deficit have been promised before, but the promises have not been matched by the performance. The Government says that its public works programme will create 500,000 new jobs, but this target is already being described as over-optimistic.

Most ambitious of all is the undertaking to reform Italy's public administration. While this is undoubtedly long overdue, since the country's vast and inefficient bureaucracy is one of the major obstacles to effective economic management, it is, by the same token, going to be exceedingly difficult to reform.

It will be a truly remarkable achievement if such a daunting task could be completed within three years. Cynics may question whether it can ever be achieved so long as Italian governments are subject to the vicissitudes of inter-party log-rolling.

The most immediate doubt, however, is whether the programme can get parliamentary approval quickly enough. Under the present timetable, it must be voted on by the end of this month if it is to go into operation at the beginning of next year.

Everyone in Italy must know that economic reform is essential. But many interests are going to be hurt by the cutback in welfare payments, and the major parties will have to show an unprecedented degree of goodwill, if they are to work out a consensus on the programme in the next few weeks.

There is, however, little or no room for slippage in the timetable. Next month the Government hopes to finalise a large standby credit with the International Monetary Fund. On this occasion, the Fund will certainly require a parliamentary vote of approval. At the moment, of course, Italy is in no immediate need of IMF money. Its reserves and balance of payments are in a healthy state, as shown by its decision to pay some U.S.$1.1bn of debt to the EEC ahead of schedule. But the position is likely to change quite quickly once the economy starts moving again.

Conflict

Next month, too, the wage contracts of 6m workers come up for renewal, and there will undoubtedly be a sharp conflict between the Government's recommendations of moderation and labour pressure for further increases in real wages.

But the real greatest obstacle to the Government's programme is any attempt to revise the system of wage indexation, which has played such a large part in raising manufacturing costs and in sustaining inflation at its current rate of around 12 per cent. The Government evidently believes that its parliamentary problems will be eased by holding off this thorny issue until the beginning of next year, and in one sense, it may be right.

There is disillusionment among Communist voters with the results of the party's association with the minority Christian Democrat Government, and any attempt to tackle wage indexation at this stage might prove an intolerable embarrassment to the leadership of the party.

Yet even if one makes every allowance for the Government's political difficulties, it is one thing to announce an ambitious package, quite another to make it work.

Terry Duffy | Moss Evans | Hugh Scanlon | Jack Jones | Len Murray | David Basnett

Changing the guard at the Trades Union Congress

By CHRISTIAN TYLER, Labour Editor, in Blackpool

WHEN THE 110th Trades Union Congress rises to its feet tomorrow to cheer Mr. Callaghan back into Downing Street, if it has its way, it will not simply be in order to express a preference for a Labour Government. Many of the men and women on the platform and on the floor of the hall have a personal stake in the outcome of the general election, for it will be a test of their stewardship and their policies almost as much as of Mr. Callaghan's.

The trade union leaders, especially in this last period of minority government, have leaned over backwards to prevent the unpopularity on the shop floor of pay restraint from putting the Government in danger.

It has been a difficult time for the 42 members of the TUC General Council. There is little doubt that TUC leaders, ground between the upper millstone of economic crisis and the nether millstone of Labour's minority—not to mention repeated prime ministerial threats of resignation—have lost some respect and authority in the eyes of their active members.

The coming election could well sweep away the ambiguity of language and action that has characterised the last year of TUC-Government relations, and give everybody a new start. If Labour is returned with a big majority, the pressure will be on for some real changes in the direction of economic and industrial policies. If the Conservatives win, there will be time for self-criticism, retrenchment, and the development of new ideas.

A Labour victory without an overall majority would be the worst result for the health of the TUC. It is unlikely that Mr. Len Murray and his colleagues could go for long propping up a lame Government, and such an outcome would be extremely stultifying.

This year's congress is important not merely because it is the signal for a general election campaign. It also sees the retirement from the General Council of the two men who in the public mind have symbolised trade union power for the last decade—Mr. Jack Jones of the Transport Workers, and Mr. Hugh Scanlon of the Engineers. Mr. Jones masterminded the social contract and Mr. Scanlon led the engineers into battle against the Conservative Industrial Relations Act.

Their departure leaves a vacuum in both the political and industrial context which will not easily be filled. Some of the void will be filled by Mr. Len Murray, TUC General Secretary, who will find himself without Mr. Jones beside him.

For Mr. Murray, that means not so much picking out the issues or demands of the moment, but judging how close to or distant from the Government—whether it be Labour, or Conservative—the TUC should be at any given time.

Some of the void is already being filled by Mr. David Basnett, of the General and Municipal Workers who has all the appearance of grand visier. Mr. Basnett represents the middle ground of union politics and the Labour loyalists, but has yet to pick up and carry through an issue. True, he has spoken out increasingly against unemployment and has tried to set up a joint action committee of public service unions, but he is not identified like Jack Jones with particular issues—pensions, worker directors, the 35-hour week, or foreign dictatorships.

Mr. Jones's successor at the Transport Workers, Mr. Moss Evans, will occupy the central position by virtue of his 2m block votes. But his style, so far as can be seen, is more managerial than political. He inherits a hamperful of policies and does not need to cast about for them. He sounds left wing—more left wing than Jack Jones at times—but he does not yet carry a dagger in his belt.

As for the Amalgamated Union of Engineering Workers, its political complexion has changed entirely over the last few years and the new president (from next month), Mr. Terry Duffy is the product of uncritical trade union conservatism. He will be overshadowed on the General Council by Mr. John Boyd, the General Secretary of the engineers, whose cunning in the pursuit of moderation is undisputed.

Moderation, in the proper sense of the word, looks like being the order of the day, broken occasionally by men like Mr. Clive Jenkins of the Association of Scientific, Technical and Managerial Staffs, or perhaps Mr. Frank Chapple of the Electricians.

But naturally, the vigour of the TUC will depend to some extent on the colour of the next government. If the TUC becomes moderate in the political sense, that does not mean that its power will lessen, or that Mr. Murray will allow it to drift into a clammy embrace with the Labour Party after the high price that the unions have been paying for the social contract.

Mr. Jones believes that the TUC will go from strength to strength in terms of numbers — it is now up to nearly 12m — and has grown up partly as a result of the social contract itself. He says that the TUC now has a grasp of issues, a competence and an influence that it has never had before. TUC officials today, he says, actually want to know what the rank-and-file is saying. It is still a research organisation, but an organisation capable of real bite.

"The TUC now talks in practical terms with the Government," said Mr. Jones this weekend. "Of course, there always were smoke-filled rooms, private meetings in Whitehall, and whispering behind doors. But the TUC leaders of the past were not dealing with the major issues of the moment. If it were not for the TUC's access to the Government through the social contract, problems like unemployment would have been very much worse.

Talking shop

"If the Confederation of British Industry could really grow up and be a negotiating body instead of a talking-shop, and carry its members with it, I should not rule out the possibility eventually of the CBI and TUC talking about wages—not norms or pay in every factory, but minimum rates, wage structures, even grading. They might consider, for instance, whether an electrician should be paid more than a teacher."

Of the new men in the TUC, he said: "I don't see the General Council going in a totally right direction. Of course, its character is changing with the growth of white-collar unions; but it is by and large progressive, if not militant in the shop steward sense. These people are good trade unionists."

If Mr. Jones is correct and the TUC does become more professional, and if it takes into its industry committees more of the work now done by individual unions, then it could start to claim the kind of authority held by trade union federations in some other European countries. But the TUC's role and record in recent years, and the passiveness of its opposition to imposed income policy, suggest that such authority will be a long time coming.

Mr. Jones confesses his disappointment that the TUC has not fought more strongly for higher pensions—his pet cause—and that it failed to retaliate when the Advisory Conciliation and Arbitration Service was being hammered over the Grunwick affair. In the same way, Mr. Scanlon, looking back this weekend over his 11 years on the General Council, said that the TUC had not distinguished itself at the time of the Industrial Relations Act, when his union was fighting a battle that he regards as the greatest of his career.

"The TUC General Council told unions they could defend themselves if they were taken to the National Industrial Relations Court. We refused to do that and we suffered very heavily. We never had any support financial or otherwise from the TUC, and we were left to fight it on our own."

It is often said of the Mr. Scanlon, as it is of Mr. Jones, that he came in a militant Left-winger and is departing a Right-winger. Asked about it yesterday, he said: "I still accept the Marxist theory of economics as the one that explains the capitalist system. I am still of the opinion that Socialism is the way of resolving the problem, but I should accept a plural society.

"There is considerable danger in the one-party system. If playing a part in helping resolve the most serious recession that Britain has experienced since the 1930s is changing, then yes, I have changed, and I plead guilty. You have to deal with the world as it is, not as you would like it to be.

"When you are faced with responsibility, it's not enough to say what's wrong — you have to have some kind of constructive solution."

The TUC came up with a constructive and unprecedented answer to the roaring inflation of 1975 by successfully holding the unions to pay limits agreed with the Government for [illegible] years. Mr. Scanlon says the TUC's contribution now seems to have been, if not in vain, at least seriously spoilt by the facts that pressure on the pound has had more influence on the rate of inflation than has wages, and that there has been no real improvement in industrial investment during the pause.

He and other union [illegible] assembled in Brighton this [illegible] seem to have no doubt that [illegible] 5 per cent limit of Stage [illegible] just will not work and [illegible] opposed by trade unionists [illegible] way in which the 10 per cent limit of Stage Three [illegible] But that would be hard [illegible] cover from reading the [illegible] that has been accepted [illegible] debate. The form of [illegible] still critical because of [illegible] political situation. So the [illegible] of this Congress will be: "Let [illegible] vote together at all costs, [illegible] hold our fire until after polling day."

MEN AND MATTERS

Packer pack sent packing

Whatever anyone says about *him*, Kerry Packer's ambitions could never be called meek. The ebullient TV and sports promoter took his star-studdied team to New York on Saturday where he had booked the 60,000-seat Shea Baseball Stadium for an exhibition match against the cream of American cricket talent, the U.S. All Stars.

New York did not exactly turn out in force for the occasion — the crowd numbered about 3,000, mostly displaced Britons, Australians and West Indians—which may or may not have put a slight damper on Packer's plans to sweep America with the cricketing craze.

All the same the match had its entertaining side, not least that the U.S. All Stars won by seven wickets.

Batting first on a pitch laid awkwardly between first and second base on the baseball diamond, Packer's men scored 124 all out, despite the best efforts of Greg Chappell, Tony Greig, Alan Knott and Gary Sobers—described by the electronic scoreboard as Sir Garfield Sobers, it deigned to break off advertising American airlines and a Tandoori restaurant in 49th Street.

Then it was the All Stars' turn. Fielding a team consisting mainly of expatriate West Indians and captained by a New Zealander, all unknowns, they slogged a brisk succession of sixes and fours to reach 125 for three. With the winning run, a group of grubby boys invaded the pitch, stole the stumps, and vanished.

Not perhaps a match that will make Wisden, but notable in that since Packer's men were playing as "The Rest of the World," the U.S. All Stars are now claiming the title of Cricket Champions of the World.

Eurowords

Readers born to Irish-Italian parents on Panamanian ships in French waters may be enlightened by the following booklet, published by the Council of Europe at 75p: "Explanatory Report on the Protocol amending the Convention of May 6, 1963 on the Reduction of Cases of Multiple Nationality and Military Obligations in Cases of Multiple Nationality and Explanatory Report on the Additional Protocol to the Convention of May 6, 1963 on the Reduction of Cases of Multiple Nationality and Military Obligations in Cases of Multiple Nationality." Half-way through unscrambling the first page of this absorbing document it became clear to me why Euro-MPs are paid £25,000 a year.

Marks on the map

Political changeling and former Tory MP Humphry Berkeley has a curious job—as "diplomatic representative" to Paramount Chief Kaiser Mantanzima, the prime minister of Transkei. This makes him more or less foreign minister of the supposedly-independent republic and he now believes that he has done a favour both for the Transkei and an old friend in recommending Jimmy Skinner to head its Development Association.

Skinner, fellow veteran Africanist, used to be acting general manager of the National Development Corporation of Tanzania. Since then he has set up his own hotel management concern, Landmark International, of which Berkeley was until last year a co-director.

Skinner says that he too is now severing connections with Landmark and is unabashed by suggestions that the Transkei's independence is a charade or that, surrounded on three sides by South Africa, it is little more than a dressed-up South African homeland. "I wouldn't have taken the job if that were true," he says. "It's absolutely ludicrous that no-one recognises it. Potentially it is far less dependent on South Africa than Basutoland or Swaziland."

Skinner reckons you can grow anything in the Transkei and it could be developed for international tourism. But it might take a Laker to transform its "breathtakingly beautiful" coastline into a jetsetter's African Riviera. British Airway's return fair is an equally awe-inspiring £700, and that only gets you as far as Johannesburg, 1,000 miles away. Just now the tourists are from South Africa, which continues to shore up the Transkei's sagging economy.

Meanwhile back at Transkei Office Ltd in London the flamboyant Berkeley is still busy persuading the world that Transkei qualifies for at least a few dots round its border. So far only stamp collectors and Pretoria are convinced.

New-born blisses

Unknown to millions of Moslems the laws of Islam are being brazenly infringed under their very noses—the unknowing culprits being babes-in-arms whose stomach upsets are allayed with Woodward's Gripe Water, a product of one of the subsidiaries of London Rubber Company.

Dining at the home of a Pakistan official the other night, Dennis Blairman, a senior director of LRC Overseas, allowed himself a quiet smile at the success of W. Woodward (Karachi) Ltd. He tells me its proprietary calmative is widely sold in Pakistan, where almost all the 75m inhabitants are practising Moslems. Gripe water has two main ingredients: distilled water, and alcohol.

Pakistan's attitude to alcohol is similar to that of the Middle East, where gripe water is also sold. General Zia-ul Haq, Pakistan's new military ruler and a devout Moslem, has zealously extended the Law of the Prophet to every area of national life. And babies apart, total prohibition has been in force for the past 15 months. He might be alarmed to hear of the curious case reported from Somerset in 1975, of a woman eschewing alcohol for religious reasons who found her baby's gripe water soothing and began drinking dozens of bottles a day. She was horrified to learn from her doctor that she had become an alcoholic.

But an LRC spokesman assured me the case was unusual: "We do not recommend you take it by the pint. As a baby you probably have just over two bottles altogether." The characteristic label showing a child struggling with a serpent was not, he said, intended to be symbolic.

It proved hard to ascertain whether General Zia and his men were convinced by such arguments. The Pakistan embassy was closed—for the end of Ramadan.

Hungry bookworm

The scene: an internationally-known London bookshop. The characters: my colleague B. R. Ackenhouse and a Young Lady at a desk marked Biography. Ackenhouse—"Have you 'Philip of Macedon,' recently published by Fabers?" Young Lady—"Is it an autobiography?" Ackenhouse—"He died over 2,000 years ago." Young Lady—"Oh well then, you want the antiquarian department upstairs." Ackenhouse (politely) — "Is there anyone here who knows anything about books?" Young Lady—"Sorry, she's out at lunch."

Observer

FINANCIAL TIMES SURVEY

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Reinsurance

Reinsurers attending their annual world conference at Monte Carlo this week will again have much to discuss. The main topic will doubtless be once more the problem of covering the big single risk—supertanker, Jumbo jet, chemical plant. Other worries are inflation and international currency fluctuations.

Sharing the big risk

By Eric Short

REINSURANCE is the most highly specialised sector of the insurance industry. But because it is essentially one specialist dealing with another in a technical manner, it attracts very little of the limelight until something goes wrong. Yet without adequate reinsurance facilities no insurance industry could accept more than a portfolio of small risks without endangering its security.

The basic principle of insurance is that of spreading one's risks, so that if disaster occurs one is not bankrupted by the event. So *companies and individuals insure these risks* with an insurer having the confidence that if trouble occurs, the insurer will pay the claim. This *is elementary insurance practice*.

But what if the same event also hits the insurer hard, such as a storm risk or a massive industrial *explosion*? If the insurer has a number of risks affected by the same event, then he may have problems paying out all his claims. This principle of spreading risks is even more important to an insurer. He must be able to pay out claims when they arise.

This spreading of risks by the *insurer is known as reinsurance*. Insurers endeavour to hold a balanced portfolio of risks so as to minimise the vulnerability to a major catastrophe. But the insurance industry is now in the era of the big risk. The cover for a North Sea oil installation can approach $1bn. A *Jumbo* jet disaster could ultimately involve claims totalling over $100m. A petrochemical complex could be insured for over £100m.

Such values are causing the insurance industry to reassess its *methods of operation*, in particular in the way in which the risk is spread. With sums insured of this size, the amount is far too big for any single insurer, even the largest, to carry the risk on his own. The actual amount that an insurer will carry on a single risk will depend on a number of factors *pertinent to the insurer, such as the spread of risks already in* the portfolio and the size of capital and reserves backing his operations.

The practice of co-insurance is now growing, whereby the *risk is underwritten* by a *number of insurers*—companies or Lloyd's syndicates—all taking a smaller percentage of the risk than they would have done a decade or so ago. The recent EEC directive on this subject should enable the practice of co-insurance to operate between insurers in the EEC.

Strong

But this in itself still does not spread the risk sufficiently. There is a strong need to reinsure these risks further. There are special reinsurance companies and organisations which deal only in reinsurance. Other insurers handle reinsurance as part of their overall portfolio or run a separate department for it. Thus it is quite possible for part of the excess cover on an insurance risk in the portfolio of an insurer to be taken up by his reinsurance department.

The insurer needs to spread his risks as far as possible on a world-wide geographical basis and on a wide currency basis. *Although spreading the risk* between other insurers operating in the same country will save that insurer from disaster in the event of a catastrophe, it will put a strain on the industry of that country taken as a whole.

This need to go beyond *national boundaries was high*lighted by a series of natural disasters which hit Australia four years ago. The extent of the damage was such that had not reinsurance been spread world-wide, it would have jeopardised the future of the Australian insurance industry.

Thus reinsurers are even more internationally orientated than their counterparts handling the direct risk and they have to look beyond their own national boundaries these days. The annual congress held in Monte Carlo, covered in a later article, gives the opportunity for insurers and reinsurers to make or renew personal contacts—a vital ingredient in insurance *operations*.

There is no doubt that reinsurance is the major growth sector for the UK insurance industry and that this will be even more so in the future. Well over half the business transacted at Lloyd's is now reinsurance, while companies too are doing *more and more reinsurance* business.

Growth in direct insurance business can be expected to be much slower as the emerging countries set up their own insurance operations and keep more of the direct risk within their own territories. Having a national insurance company comes second in prestige only to a national airline.

But these local insurance industries do not have the expertise, or in most cases the capacity, to carry the risks arising within their own country. They have to seek reinsurance from the established insurance markets, not only to ensure stability, but in many *cases to get some idea of the* nature of the risk and the premium to charge.

The established insurance industries are helping the newly-formed insurance companies in these countries to acquire some of the skills and expertise needed, by arranging training *courses and visits for personnel*. The insurance brokers in particular have been extremely active in this training process and in helping the organisation of these newly-found insurance industries, as well as arranging the necessary reinsurance facilities for them.

But a new development is now taking place with these countries endeavouring to set up their own reinsurance facilities, either singly or with pooling arrangements with neighbouring countries. The objective behind this development is to stop the outflow of foreign exchange. One can understand the reasoning behind these moves. But one can also question its prudence. *Such arrangements could work* well until a major disaster strikes.

However, one cannot foresee the effects of such developments on the growth prospects of the established insurance markets. It is still early days and reinsurers are simply awaiting developments. This survey contains separate articles discussing the latest position in various regions and territories.

One significant move from the more enlightened reinsurance operators in these countries is not rigidly doing their own reinsurance, but seeking reciprocity from others, so that reinsurance out is balanced by reinsurance coming in.

This extension of capacity is a welcome move and likely to grow as the reinsurers increase in size and acquire greater expertise. The international reinsurance brokers are doing much to foster this reciprocal movement.

To operate an international reinsurance operation, a prime requisite is a stable currency. Another need is access to a sophisticated capital market. London has grown into a world reinsurance centre because of the strength of sterling and there is a well-developed financial market. But the recent weakness in sterling has not helped in reinsurance operations. The present weakness in the dollar, coupled with this recent weakness in sterling, is causing reinsurers to reassess their methods of operations.

There is a growing development towards writing the business in the *original* currency where the risk arose. This looks an obvious move, but while sterling remained stable it was not necessary. In addition, in many countries it would need a change in the law or in insur*ance practice. Here it is re*quired that the assets backing those liabilities have to be held within the country in which the insurer is established. Many countries are insisting that reinsurers can only operate through local companies and they can only hold a minority equity shareholding.

But reinsurers do not like the rigidity which these types of systems impose. Flexibility of operations has been the keynote in the past, with reinsurers able to move funds freely around the world. The recovery of sterling has eased the prob*lems of reinsurers operating* out of London.

Natural

For this world insurance centre is now attracting more overseas insurance companies to establish themselves here. The U.S. and Japanese reinsurance companies are now looking beyond their own territories and seeking to become worldwide operators. London is a natural centre from which to cover the EEC. One could expect more overseas companies to establish a presence here in London.

High inflation rates have caused reinsurers considerable problems, not only in fixing adequate rates, but in expanding their capital base in line with growing premium income. A year or two ago there were fears of shortage of capacity, but now the pendulum has swung the other way, at least *temporarily*. There appears to be an excess of capacity worldwide, especially in marine insurance. This is leading to rate-cutting and the fixing of rates that are inadequate for the risk. This is one major problem facing the UK reinsurance industry, but one hopes only a passing one.

Key role for brokers

THE PROFESSIONAL intermediary has a vital and important role to play in the operations of the insurance industry. He assesses and arranges the insurance requirements for his clients. He places that insurance in the appropriate market and he handles the claims if and when they arise. It is very much a continuing and ongoing process with conditions and needs constantly changing.

In order to perform such functions successfully, insurance brokers need considerable expertise and knowledge in a variety of fields. They need skills to be able to assess risks that in many cases are complex and with the advance of technology are becoming even more complex. They need an in-depth knowledge of the insurance market and of the insurers who operate in that market. They need to know the strengths and weaknesses of the various insurers, in particular their ability to meet claims promptly and in full.

As insurance becomes more international, the broker's knowledge has to be world-wide. Risks are now spread throughout many insurance markets and brokers are having to acquire in-depth knowledge of all world insurance centres.

All these considerations apply with even more force to reinsurance. This sector of the insurance industry can truly be said to be international. The specialist reinsurance broker is playing a larger and more dominant role in reinsurance operations, boosted by the emergence of national insurance operations in many overseas countries, particularly in Africa and the Middle East.

Consider the first role, assessing a client's needs. Reinsurance brokers dealing with a variety of clients have acquired considerable experience in this field. The individual insurer, certainly in the developed insurance markets, has a good idea of how much risk he can carry and what should be reinsured. But a view from the outside, which is provided by a broker, can be of considerable assistance. He knows what is likely to be acceptable by the reinsurers.

But there is a growing practice among large multinational organisations to handle their own insurance requirements through "captive" insurance companies, thus providing a measure of self-insurance. The amount of risk that can be retained depends on many factors, including the amount of capital. The reinsurance broker can play a vital role in advising not only on retention levels but on the methods of reinsurance.

The emerging local insurance industries set up in overseas countries need the expertise that a reinsurance broker can provide. The nationalistic outlook in these countries often results in an insistence that all insurance arising within the country be placed with the local insurance companies. The aim is to stop the outflow of currency. But these companies usually have insufficient capacity to keep more than a minor proportion of the risk: the rest has to be reinsured outside the country.

The specialist reinsurance brokers can help these overseas insurers in advising on the level of risk, what proportion to keep, which methods of reinsurance to use for particular cases and for which types of risk. The complexities of reinsurance need considerable expertise in order to understand and operate. The brokers are assisting these overseas insurers to acquire the necessary skills through training and educational programmes and exchange visits.

Overriding

The next role is placing the reinsurance with reinsurers. As stated before, this takes place on a world-wide basis. The overriding factor in dealing with an insurer or reinsurer is how secure the company is and what is its reputation for paying claims. The large multinational reinsurance brokers are possibly much better placed to know and understand the various insurers in different insurance centres.

They are continually monitoring insurers and reinsurers throughout the world. It is not realistic to expect all but the largest of insurers to be well versed in the financial aspects of other insurers in different parts of the world.

Many overseas countries still in the early stages of development are concerned to stop the outflow of currency overseas. Thus they are not willing to reinsure risks in London and other markets unless there is reciprocal inwards reinsurance into the country concerned. The reinsurance broker is ideally placed to arrange this two-way flow of reinsurance business and to encourage this widening of capacity.

UK insurance brokers have an inbuilt advantage in being able to deal with the Lloyd's market, providing they get accredited as Lloyd's brokers. This market is writing a steadily rising volume of reinsurance business and this can only be placed through Lloyd's brokers. There have been attempts recently by large U.S. broking organisations to acquire U.K. Lloyd's brokers, but the Committee of Lloyd's will not let overseas interests acquire control of a Lloyd's broker. The arrangement of the takeover of Leslie and Godwin by Hall left the Lloyd's broking side technically free of U.S. dominance.

In the third role the broker's function is not purely nominal. The problems between the Sasse syndicate and the Reinsurance Institute of Brazil have highlighted the broker's role in dealing with claims. The evidence on which the insurer has paid a claim may not be sufficient for the reinsurer. Claims payments are not necessarily automatic. The broker in his frequent contacts with reinsurers can materially help in the smooth settlement of claims.

Currency is always a problem for handling insurance and reinsurance business written overseas. The problems of exchange rate fluctuations are discussed in detail in another article in this survey. But they have considerable bearing on the operations of reinsurance brokers, who make substantial profits on currency exchange when sterling is weak. These profits have been much lower in 1977 and this year with the recovery of sterling and the weakness of the U.S. dollar.

This year saw the introduction by major brokers and insurers of settlements in original currency for several major currencies, instead of dealing in sterling. But it would appear that this change has been made rather late in the day, although whether sterling will continue to remain strong is debatable.

One of the great advantages of brokers handling reinsurance is that it generates more business for them on top of the actual reinsurance. A single broker, handling a particular risk on a direct basis, may often be able to arrange the reinsurance required for those insurers handling the direct risk. It is certainly the major growth area for the large and medium-size broking organisations.

Some brokers are also involved on the underwriting side of reinsurance by writing business for pools of foreign insurers. Such an arrangement gives the broker an edge when dealing with the rest of the market. A broker with authority to write a fairly large line of business has a strong weapon in dealing with other insurers. However, certain elements in the market feel that this is not a healthy development for the insurance industry as a whole. They do not consider it desirable that a broker responsible for placing a risk should also have substantial underwriting power.

Nevertheless, in accepting reinsurance underwriters rely to a great extent on the brokers who are placing the business providing all the information necessary to handle the risks. Brokers also tend to deal in the first place with underwriters who ask pertinent questions and delve deeply into the type of risks being placed. Their view is that the correct rate for the risk will come from the real experts and this is in the interest of all parties.

Eric Short

Cost of inflation

SINCE REINSURANCE is an international operation, reinsurers are exposed to inflation at varying rates. Its practical effect is not only to increase claims costs but also, as for direct insurers, to create substantial increases in exposure, with consequent increases in premium income.

This presents problems for reinsurers buying their own protection since the requirement is increasing all the time. There is also the need, shared with direct writing offices, to watch solvency margins in view of the increased premium income.

The position is not helped by currency realignments. For instance, a drop in the value of sterling over a period can increase premium income substantially, and thus the need for higher reserves to maintain adequate solvency margins.

Reinsurers in countries like Switzerland and West Germany (both have important reinsurance markets) where the currency is appreciating may find that the currency changes result in a drop in premium income unless there is substantial real growth, whereas there will have been no drop in the level of administrative expenses.

The upshot is that reinsurers in different countries could have identical portfolios of world wide reinsurance business, but their revenue accounts and balance-sheets, published in their local currencies, would give very different "results."

A large reinsurer may have transactions in up to 150 currencies on its books. The line taken by many reinsurers is to try to reserve in original currencies as far as possible and practical. This may mean that the year-end accounts look on occasions a little strange after conversion into sterling, but reinsurers feel that it is prudent to match assets and liabilities to the extent possible.

Obviously there has to be a good deal of simplification, and technical reserves may be held in no more than 10 or 12 different currencies — these usually being the main currencies used for insurance purposes.

This type of matching of assets and liabilities is, however, by no means always easy. There are always many imponderables. In some classes of business, such as the insurances of ships, it is quite likely that claims will be settled in currencies other than those in which premium were paid. A fleet owner may pay premiums in U.S. dollars, with his vessels insured in that currency. But, in the event of extensive repairs being necessary after a casualty, it might be decided to have them carried out in Germany or Japan, in which event the cost would have to be met in Deutschemarks or yen.

Protection

There is also the position where a reinsurer writes a sterling treaty for a UK insurer with a worldwide portfolio. Clearly, in this case both premiums and claims are payable in sterling, although the original risks will have been written in a variety of currencies. To provide some protection against currency fluctuations a reinsurer may require such a ceding company to give early notification of claims so that a reserve can be made in the original currency, although the claim will be paid to the ceding company to the reinsurer in sterling.

In general, many reinsurance companies aim to keep assets and liabilities in each currency in balance. Sometimes a reinsurer departs from that policy, but normally there must be a sound reason for such action. Reinsurers do not look upon it as part of their activity to deal in currency and to speculate in currency movements.

Some reinsurance companies deal mainly on a direct basis with the companies which they reinsure, and thus receive premiums in original currencies, although there is the point that an overseas insurer may well have a faily widespread account, and be writing business in a number of currencies. Where business is placed with a reinsurance company by a leading London broker, premiums can be paid in a number of leading original currencies.

For syndicates at Lloyd's the largest reinsurance market in the world, premiums other than those in U.S. dollars or Canadian dollars must be converted into sterling, although syndicates may then buy and hold currencies more or less in proportion to their anticipated liabilities. There is no uniform view among syndicates. For some syndicates, it could prove inconvenient to hold reserves in a large number of currencies. Sometimes, therefore, the view is taken that while there is the risk of adverse currency fluctuations if reserves are held in sterling, a very much better investment return can be obtained from such reserves, which may very well compensate for any losses on currency exchange at the claims stage.

Clauses

Various clauses can be incorporated in treaties so as partially to ease the position of reinsurers. To meet the situation of currency fluctuations, a clause can be incorporated to try to maintain much the same position as existed at the outset of the contract.

In the case of inflation a non-proportional treaty can incorporate the Stability or Index clause. This has the effect of increasing the excess point in the light of inflation. The practical effect, therefore, is to spread the extra cost of claims due to inflation between the ceding company and the reinsurer. It avoids the position of the reinsurer carrying the whole burden, and it can be argued that the ceding company then carries the level of risk which it originally intended to carry.

An Acts in Force clause may be used where legislation in a country may increase the level of claims payable. Workmen's compensation is a typical case. Here, both parties to the reinsurance contract must renegotiate the position where such legislation is introduced.

The award of index-linked annuities instead of capital sums for compensation for personal injury is a worrying subject for reinsurers. There is no way in which the "cost" of an index-linked annuity can be forecast when it is awarded. Although the position in France has been eased for insurers outside the country, the problem has not been entirely removed.

In Britain, the Pearson Commission recommended that compensation for certain types of personal injury in the form of periodic payments should be revalued annually in line with the movement of average earnings. One insurance view was that index-linked annuities were neither practicable nor desirable, and it was pointed out that the risk was not insurable by ordinary methods because no-one could accurately assess the rate of inflation. The commission recommended that insurers should undertake to provide a fixed rate at which the payments could be increased, with the state guaranteeing the payments against inflation above the agreed rate.

Finally, reinsurers are affected by inflation in the same way as other organisations by escalating management expenses. Understandably, in difficult underwriting times there is a greater need to exercise control over management expenses, but in practice the degree of control which can be exercised is not as great as reinsurers would like.

John Gaselee

Special life cover

IT WAS Mercantile and General which set the ball rolling for professional reinsurance for life cover in the post-war years. Before then any life insurance cover that was considered to be an unacceptable level of risk for one company alone was normally reinsured direct with other life offices. But that situation also meant that it was extremely difficult for some indivduals to get life cover in the first place.

The questions facing the actuary at Mercantile and General at that time were how to provide life cover for those people having difficulty in obtaining it, and how to study the mortality rate of people with specific medical problems at the same time. The other pressing fact was how to "show off" the potential of life reinsurers to the best advantage.

The problems were solved with the introduction of the "Diabetic Pool" in 1947. This provided a means for diabetics to get life cover—a class of risk normally considered uninsurable before. As for Mercantile, it enabled the company to put all its life cover for diabetics into one pool, thus making it far easier to monitor mortality risks. And of course it highlighted the ability of the reinsurer as a specialist to monitor high risk areas in a way that he can give cover and make a profit.

Within the next decade Mercantile and General followed up its success with the "Diabetic Pool" with the "Blood Pressure Pool" and the "Coronary Pool."

Declined

The company was pioneering the way for insurance of sub-standard medical risks, but not surprisingly the popularity of these pools has declined in the last 10 years or so. The reason is that once the pools became established and sufficient information was gathered on mortality rates insurance became standardised to the extent that many life offices will now take on such risks without the need for reinsurance.

Nowadays Mercantile and General still sees a large number of sub-standard medical cases, but 90 per cent of them are not put into one of the pools. More common medical conditions are cancers, tumours, and serious heart and kidney diseases.

Perhaps the medical conditions of those that pass through the reinsurer's hands have changed but the principles remain the same. The reinsurer is in demand because of his specialist knowledge acquired over the years. A normal life office might see one or two *medical problems out of every* 10 applications for insurance cover. But the reinsurer sees at least six out of 10 applications presenting a medical problem.

Sheer weight of numbers enables the reinsurance community to develop more skills with the problem cases. Intensive research into mortality rates and accident statistics gives the reinsurers the edge—especially when the risks are relatively new ones.

But it is not just in the field of medical insurance that the reinsurers have made their reputation. They have become involved with all types of sub-standard insurance problems, including those on occupational grounds or because of a hazardous hobby.

The reinsurers have become experts in assessing the risks associated with various types of occupations, by gathering information on deaths and accidents common to various sectors of industry. This ability gave them another line of work.

However, the general improvement in working conditions and safety regulations has greatly reduced the risks associated with a lot of previously high risk occupations.

That is not to say, however, that occupational business is dead for the life reinsurer; far from it, as new industries with new problems develop. But it is not uncommon for the insurance company to turn to the reinsurer for advice and then underwrite the full amount of the risk itself. The reinsurers take this in their stride as it is all part of the service offered to the client—the life office.

There are probably three reasons why a job could lead to a higher premium. Higher risks of a fatal accident at work or the likelihood of a disease from a type of job, or finally where the occupation may lead to over-indulgence in drugs or alcohol.

By way of illustration it is interesting to quote a few figures from an article written by Mr. L. Webb, of Victory Insurance for Prospect Magazine.

These figures relate to the risk of fatal accidents at work on an annual basis related to the average working man in Britain. The death rate for the average working man *is 0.01* per cent. But for a bomb disposal operator in Northern Ireland the figure is a staggering 8 per cent. A professional Formula 1 racing driver's chances are up to 5 per cent, while a crop-spraying helicopter pilot is 1.5 per cent, a North Sea oil rig diver 1 per cent, a distant water trawlerman 0.4 per cent, an oil rig roustabout 0.3 per cent and an airline pilot 0.05 per cent.

The North Sea oil industry is an interesting case because it is a prime example of where the *reinsurer's skills play a* significant role. Because of the relatively new nature of offshore rigs for the UK life insurance community there was little information that could be used to calculate risks and hence premiums.

In fact underwriting terms have gradually been reduced over the past few years, reflecting both a better safety record on the rigs and an increase in statistics enabling the underwriters to fix the risks more accurately. The most hazardous catagories are during drilling rather than production. The roustabouts have an above average risk element in their jobs—and oddly enough so have site crane drivers.

Dust

Other areas which are showing up increasing dangers are where there is the danger of disease caused by breathing in particles of dust. Workers in the asbestos industry are a leading example, but there are other areas where the dangers can still not be quantified. In such cases it is the reinsurers which will probably end up setting the premiums.

The growth of leisure time has also presented more problems for the life companies and they in turn look to the reinsurers for advice. For example, the growth of hang gliding has sent some of the life offices running for cover. However, the statistics show that the mortality rate is nowhere near as high as had been feared in the early days.

The foregoing tends to highlight the glamorous aspects of life reinsurance where it is the reinsurer's skill that is in demand; the bread and butter side of the business is far more mundane. *A lot of reinsurance* work in the life field, like any other, is because of capacity limits.

The limit of retention on an individual risk varies widely depending on the size of the office, but it is common policy for amounts over that limit to be reinsured. Most life offices have "treaty" commitments enabling them to lay off a risk with a reinsurer automatically.

The other method of placing business is the "facultative" basis where the reinsurer has the option of accepting or declining the business. The first method *is* obviously far less time-consuming for all concerned.

The reinsurer's services are often of more use to the smaller life companies, though the larger groups are also numbered as clients because of the sheer size of some insurance liabilities nowadays. A single life may be insured for £1m—that would be too much for most life offices to accept. The reinsurer may take over everything above £200,000 (assuming a fairly large life company in the first *place) but he too has his limit* of retention and will have to pass on the insurance through the market.

It is a growing area of activity and one that is attracting more companies into the market. At present the life reinsurance market is probably dominated by half a dozen companies—Mercantile and General, Victory, Swiss Re, Munich Re, British and European and Gerling Global.

Other companies are coming in. Obviously they will offer competitive rates. The reinsurers may claim they welcome competition but other areas of the insurance world can provide sad examples of when rates can get too competitive.

Terry Garrett

Reassurance offers help

HOWEVER ARCANE their mysteries appear from the outside, life companies might well have something to learn from the reassurance industry. That is the view any rate of the reassurance companies themselves; and to go by the readiness with which life companies turn to their reassurance contacts when they find themselves faced with a risk out of the ordinary, it is a view which they are not alone in holding.

Nevertheless, thanks partly to their own success in establishing reliable mortality rates in cases of exceptional risk—by analysing the patterns established in the "impaired life" pools, for instance—and partly to the fact that most British life companies have been in the business long enough to establish a high level of expertise of their own, the reassurance companies have skills and knowledge going begging. In particular they reckon that they have a lot to offer to new companies in the life assurance business.

Most obviously they have a long tradition of expertise in *assessing risk, and a long tradition* of providing capacity to companies that want to lay it off. Less obviously they reckon to be able to help with product design and marketing as well—help, in this case, taking in anything from the provision of advice on the mix of benefits in policies to a company which has identified the market it intends to tackle to carrying a share of the initial expenses: effectively, going in as a partner in the business.

In the case of a brand-new company their assistance could take other forms. Reassurance companies will on occasion offer to train a new company's staff, and particularly the staff involved in the area in which they have most expertise — underwriting. The extent of that training might vary from a few days with the specialists in "impaired lives" — providing assurance on coronary or diabetic cases, for instance—to a year or so of more or less continuous contact at a much more elementary level. Training at so basic a level is not likely to be required by any British life assurance company: but it could prove extremely valuable to the new and fast growing companies of the developing world, among which nowadays the reassurance companies find the principal market for this sort of expertise.

To a greater extent even than the rest of the insurance industry, the reassurance companies emphasise that developing markets look to London for help and advice in establishing their business. That help and advice is likely to stretch from the structure of policies to the structure of rates; and it will not necessarily stem neatly from the business which the reassurance companies undertake for their British customers. The requirements might be entirely *different* — as in the case of those overseas countries where it is becoming commonplace to build insurance against the costs of hospitalisation into life assurance contracts.

Opportunities to provide the same sort of help and advice to companies in areas where the life assurance market is already well developed are very much rarer. In Britain it is necessary to go back six or seven years for the most recent flurry of life assurance company launches; and with the biggest of those — Hambros Life — there was not much call for the special expertise of the reassurance companies. The executives who defected en masse from Abbey Life to set up that company were already richly endowed with both experience and financial backing.

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Special life cover

IT WAS Mercantile and General which set the ball rolling for professional reinsurance for life cover in the post-war years. Before then any life insurance cover that was considered to be an unacceptable level of risk for one company alone was normally reinsured direct with other life offices. But that situation also meant that it was extremely difficult for some indivduals to get life cover in the first place.

The questions facing the actuary at Mercantile and *General at that time were how* to provide life cover for those people having difficulty in obtaining it, and how to study the mortality rate of people with specific medical problems at the same time. The other pressing fact was how to "show off" the potential of life reinsurers to the best advantage.

The problems were solved with the introduction of the "Diabetic Pool" in 1947. This provided a means for diabetics to get life cover—a class of risk normally considered uninsurable before. As for Mercantile, it enabled the company to put all its life cover for diabetics into one pool, thus making it far easier to monitor mortality risks. *And of course it high*lighted the ability of the reinsurer as a specialist to monitor high risk areas in a way that he can give cover and make a profit.

Within the next decade Mercantile and General followed up its success with the "Diabetic Pool" with the "*Blood Pressure Pool" and the* "Coronary Pool."

Declined

The company was pioneering the way for insurance of substandard medical risks, but not surprisingly the popularity of these pools has declined in the last 10 years or so. The reason is that once the pools became established and sufficient information was gathered on mortality rates insurance became standardised to the extent that many life offices will now take on such risks without the need for reinsurance.

Nowadays Mercantile and General still sees a large number of sub-standard medical cases, but 90 per cent of them are not put into one of the pools. More common medical conditions are cancers, tumours, and serious heart and kidney diseases.

Perhaps the medical conditions of those that pass through the reinsurer's hands have changed but the principles remain the same. The reinsurer is in demand because of his specialist knowledge acquired over the years. A normal life office might see one or two medical problems out of every 10 applications for insurance cover. But the reinsurer sees at least six out of 10 applications presenting a medical problem.

Sheer weight of numbers enables the reinsurance community to develop more skills with the problem cases. Intensive research into mortality rates and accident statistics gives the reinsurers the edge—especially when the risks are relatively new ones.

But it is not just in the field of medical insurance that the reinsurers have made their reputation. They have become involved with all types of substandard insurance problems, including those on occupational grounds or because of a hazardous hobby.

The reinsurers have become experts in assessing the risks associated with various types of occupations, by gathering information on deaths and accidents common to various sectors of industry. This ability gave them another line of work.

However, the general improvement in working conditions and safety regulations has greatly reduced the risks associated with a lot of previously high risk occupations.

That is not to say, however, that occupational business is dead for the life reinsurer; far from it, as new industries with new problems develop. But it is not uncommon for the insurance company to turn to the reinsurer for advice and then underwrite the full amount of the risk itself. The reinsurers take this in their stride as it is all part of the service offered to the client—the life office.

There are probably three reasons why a job could lead to a higher premium. Higher risks of a fatal accident at work or the likelihood of a disease from a type of job, or finally where the occupation may lead to over-indulgence in drugs or alcohol.

By way of illustration it is interesting to quote a few figures from an article written by Mr. L. Webb, of Victory Insurance for Prospect Magazine.

These figures relate to the risk of fatal accidents at work on an annual basis related to the average working man in Britain. The death rate for the average working man is 0.01 per cent. But for a bomb disposal operator in Northern Ireland the figure is a staggering 8 per cent. A professional Formula 1 racing driver's chances are up to 5 per cent, while a crop-spraying helicopter pilot is 1.5 per cent, a North Sea oil rig diver 1 per cent, a distant water trawlerman 0.4 per cent, an oil rig roustabout 0.3 per cent and an airline pilot 0.05 per cent.

The North Sea oil industry is an interesting case because it is a prime example of where the reinsurer's skills play a significant role. Because of the relatively new nature of offshore rigs for the UK life insurance community there was little information that could be used to calculate risks and hence premiums.

In fact underwriting terms have gradually been reduced over the past few years, reflecting both a better safety record on the rigs and an increase in statistics enabling the underwriters to fix the risks more accurately. The most hazardous catagories are during drilling rather than production. The roustabouts have an above average risk *element* in their jobs—and oddly enough so have site crane drivers.

Dust

Other areas which are showing up increasing dangers are where there is the danger of disease caused by breathing in particles of dust. Workers in the asbestos industry are a leading example, but there are other areas where the dangers can still not be quantified. In such cases it is the reinsurers which will probably end up setting the premiums.

The growth of leisure time has also presented more problems for the life companies and they in turn *look to the* reinsurers for advice. For example, the growth of hang gliding has sent some of the life offices running for cover. However, the statistics show that the mortality rate is nowhere near as high as had been feared in the early days.

The foregoing tends to highlight the glamorous aspects of life reinsurance where it is the reinsurer's skill that is in demand; the bread and butter side of the business is far more mundane. A lot of reinsurance work in the life field, like any other, is because of capacity limits.

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The reinsurer's ... *often of more use to* ... life companies, though ... groups are also ... clients because of the ... of some insurance ... nowadays. A single ... be insured for £1m ... be too much for most ... to accept. The reinsurer ... take over everything ... £200,000 (assuming ... large life company ... place) but he too ... of retention and ... pass on the insurance ... the market.

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Terry Garre...

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To a greater extent even than the rest of the insurance industry, the reassurance companies emphasise that developing markets look to London for help and advice in establishing their business. That help and advice is likely to stretch from the structure of policies to the structure of rates: and it will not necessarily stem neatly from the business which the reassurance companies undertake for their British customers. The requirements might be entirely different — as in the case of those overseas countries where it is becoming commonplace to build insurance against the costs of hospitalisation into life assurance *contracts.*

Opportunities to provide the same sort of help and advice to companies in areas where the life assurance market is already well developed are very much rarer. In Britain it is necessary to go back six or seven years for the most recent flurry of life assurance company launches; and with the biggest of *those* — *Hambros Life* — there was not much call for the special expertise of the reassurance companies. The executives who defected en masse from Abbey Life to set up that company were already richly endowed with both experience and financial backing.

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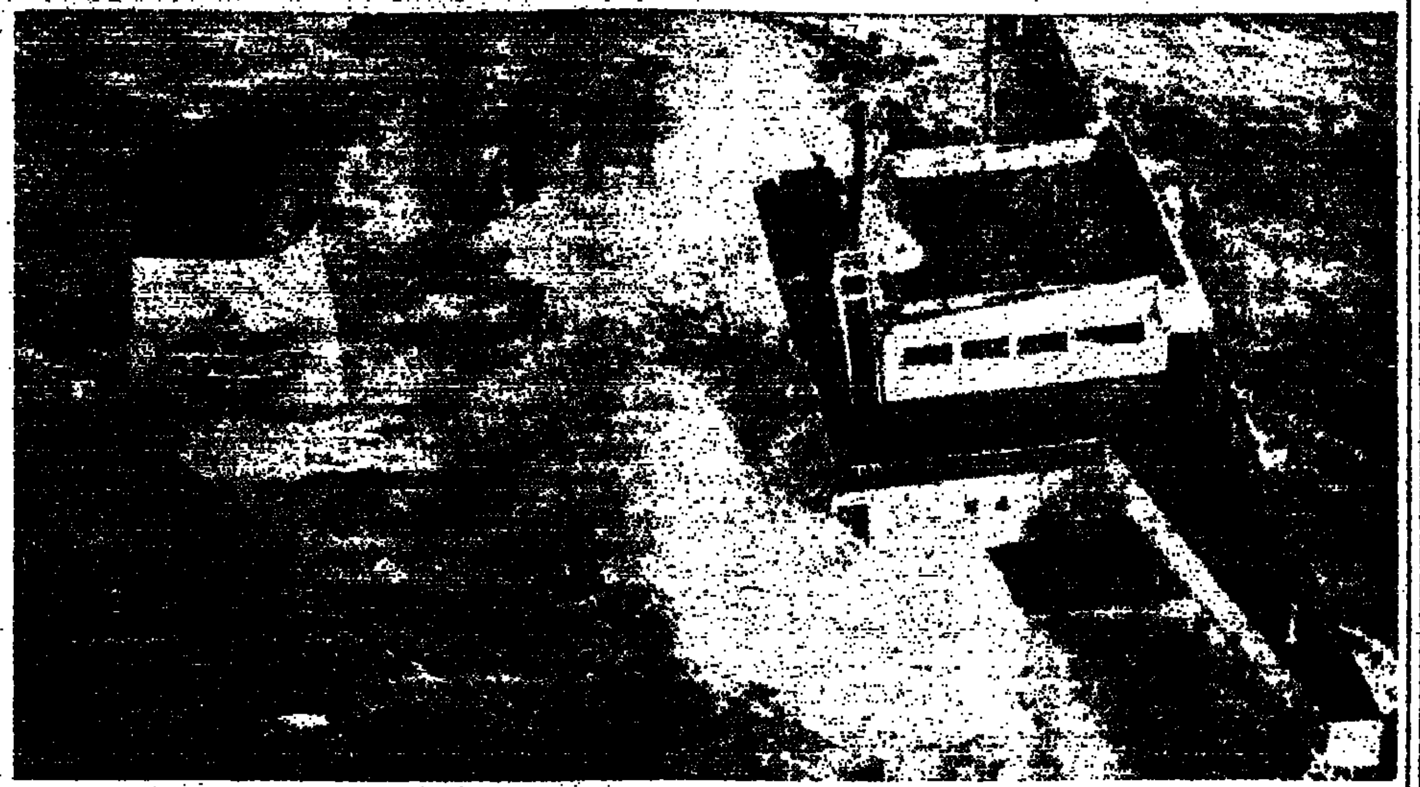

The afterpart of the wrecked tanker Amoco-Cadiz which foundered and broke up off the north Brittany coast last March, its cargo of oil spilling out to cause severe and widespread pollution of the beaches.

London remains the centre

GROWTH IN the reinsurance industry has been staggering along on the back of inflation and the ever-growing need of industry throughout the world to increase the scale of each unit of operation. The advent of supertankers, Jumbo jets and, nearer home, the birth of the North Sea oil industry are just a few areas that have led to much bigger risks.

But as the reinsurance industry has been growing so has the competition. Many countries are setting up their own reinsurance centres. Moreover, there has been a noticeable increase in the number of overseas companies which have opened branches in London. But while the UK-based companies may no longer rule to roost as they did in the past London still remains the centre of the world-wide reinsurance market.

London offers easy access to world markets and its reputation has accumulated over many years. Reinsurance does require a high degree of financial skill and the ability to trade in numerous currencies. Moreover, the rapidly changing pattern of industry and risk involves a certain flair and inventiveness. London with its wide range of underwriting views and its desire and willingness to provide cover fulfils these requirements.

The existence of Lloyd's has undoubtedly played a major role in London's dominance of the reinsurance industry. Lloyd's reputation is world-wide and so is its capacity to write insurance. There are some 15,000 members of Lloyd's, and over 250 affiliated broking houses.

The brokers operate on a world-wide basis, obtaining business that in turn is placed with the independent underwriters at Lloyd's. These underwriters act individually for the syndicate they serve. Since the Lloyd's syndicates cannot deal direct with the public the role of the Lloyd's broker is vital to the operation. Not surprisingly, the number of reinsurance brokers has been growing and the larger insurance broking groups have set up their own reinsurance departments. Aside from Lloyd's there has been the gradual move by the big UK composite insurance groups into the reinsurance market. Their marketing differs from that of Lloyd's in that they tend to have their own overseas networks consisting of branches or agencies.

The status and quality of the London reinsurance market stems also from the rigid set of regulations governing the industry. Since the collapse of Vehicle and General these rules have become even tighter. This in turn have made it so difficult for overseas operators with UK branch offices that many have been forced to set up UK-based subsidiaries.

This factor and Britain's entry into the EEC have caused an acceleration in the number of overseas companies setting up subsidiaries in this country. The object is to use London as a base to move into Europe, given the relatively easy access to the rest of the EEC.

Suffering

This increased competition comes at a time when the UK reinsurance companies are suffering from the effects of inflation and until recently the impact of a weak currency.

Inflation has resulted in higher capital values which in turn has meant higher premiums but there has not been a similar increase in the asset bases of the reinsurance companies. In some cases this has resulted in business being turned away because of lack of capacity. Moreover, the prolonged period of sterling weakness left many worrying about the long-term contingent liabilities of the UK reinsurance companies.

Claims in the stronger currencies meant that UK companies incurred a greater liability in sterling. The position can of course be alleviated to a certain extent by higher premiums. But the increased competition is restricting any major upward movement so it is easy to see why many UK-based reinsurance companies are expressing concern. Indeed there is talk that irresponsible competition for premiums by foreign companies is keeping rates down to an uneconomical level. Already there have been one or two disturbing results in the London market because of this competition.

Some reinsurance companies, however, welcome this competition in the London market. They claim that London became the centre of the world reinsurance market because of its ability to provide a wide and diversified range of underwriting views. If the London market is to fulfil its role in satisfying the ever-increasing requirement for reinsurance cover then it must maintain its multifarious image. New companies with new ideas are therefore beneficial to the growth of the London reinsurance market.

But apart from the internal competition London is also facing the growing threat of the local insurance industries being formed in the developing countries. The strong nationalistic feelings in these countries together with the growing need to protect foreign currency reserves have led to the formation of local reinsurance markets.

While some of this business would ordinarily have been placed in London there have been some benefits. As these countries have developed the level of risk has often proved too great to be totally absorbed internally while the level of reinsurance skills often leaves much to be desired. In cases such as these there is an even greater need for a well-distributed reinsurance.

The growth in these markets in the developing countries is obviously making the reinsurance industry increasingly competitive but there seems little fear that London will lose its position as the centre of the world reinsurance industry.

The growing number of overseas companies which have formed subsidiaries in Britain is clear evidence of the importance they place on the London market. The expertise built up over a number of years and the growing ability to meet the diversified range of underwriting requirement is not something that can be achieved overnight. The market is expanding at a rapid rate and London should still capture a large share of the business.

Having said this, however, the outlook for the UK-based reinsurance companies is not all that rosy. They after all are bound to feel the effects of depressed premium rates, while competition remains keen. The net result understandably is that profitability will suffer.

David Wright

Reassurance

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Insofar as there are new life assurance companies launched in the UK these days, they tend to be subsidiaries of companies already well established in this field, set up to promote a new product or explore a new sector of the market, and to take full advantage of any tax advantages attached to their status as subsidiaries while they are about it.

Typical have been the various ventures into unit-linked life assurance — by, among others, Legal and General, and Pearl, neither of which could be expected to be in particular need of either expertise or additional finance. The reassurance companies themselves suspect that opportunities for the application of their expertise and money at the sharp end of the business will stem fro mthe incursion of entrepreneurs into a sector which is increasingly dominated by very large and somewhat bureaucratic institutions. But there are no signs yet that this is happening.

However frustrating for the reassurance companies themselves, it has to be said that the lack of opportunity to use their financial muscle at the sharp end of the business in particular is not wholly to be deplored. Reassurance companies traditionally take their reward for the advice and assistance which they will, if requested, provide so literally in the shape of future margins on the business which they can reasonably expect to have channelled through them. Where an established company might have one principal reassurance contact, and three or four subsidiary companies to take its business, a new company using the services of a reassurer would be expected to pass all its business that way.

Even with established companies extension of the provision of assistance to the provision of finance can turn a reasonable arrangement into a source of trouble for all the parties to it. Fidelity Life was a case in point. Five reassurance companies had provided Fidelity with financial help with its marketing and other expenses to the tune of almost £500,000, in the expectation that they would see their reward in the shape of future business. When Fidelity went into liquidation in the wake of the London and County affair, their efforts to obtain more than the 70p in the pound in instalments, which they were offered, almost jeopardised the settlement arranged for policyholders.

Eventually they accepted the deferred payment offered, for the sake of the greatest good of the greatest number. And, as the chief negotiator for one of those companies pointed out last week: "We are waiting still."

Adrienne Gleeson

N.Y. exchange and free zone

UNITED STATES

THE INSURANCE community in the U.S. has been in fighting mood this year. The favourable trading signs that began to emerge mid-way in 1977 have become established fact. Premiums have gone up, underwriting losses are rising more slowly, so profits have risen too. It is therefore hardly surprising that the U.S. insurance industry has just passed through one of its high points.

To hammer the point home a survey was recently conducted by the National Association of Insurance Commissioners. Over 200 primary insurers responded to the survey which sought replies on reinsurance market conditions. Back came the reply that the reinsurance market had tightened considerably in the past few years. What is taking place in the reinsurance market at present was increased retentions, tighter exclusions and higher rates on cover.

The lines of insurance for which demand for reinsurance was large in relation to supply are motor liability, product liability, workers' compensation, professional and medical malpractice and umbrella liability. But the reverse was true in the case of property, accident and health, and fire and homeowner reinsurance.

It is against this background that two of the most important developments have taken place in the last six months—the signing into law of the New York Reinsurance Exchange and the establishment of a free trade zone.

The establishment of a New York reinsurance exchange has received much attention because it is to be fashioned after Lloyd's of London operations. The exchange is to be composed of syndicates of individual underwriting members writing reinsurance and diverse risks which are currently difficult to place in the New York market. Initially it is likely to be able to handle around $200m-worth of premium.

The move has been made partly out of trading and partly out of political motives. The trading arguments say that New York has been losing its position in the property and casualty markets, mainly because of a lack of adequate reinsurance capacity. Measured by its 1977 property and casualty premium volume of $6bn New York ranks as the second most important State.

Several primary insurers have had to search the world for reinsurance capacity which has often meant that overseas joint ventures have had to be made to meet the demand. So the business has left New York. Captive insurers have sprung up in Bermuda and Colorado, while Tennessee has recently relaxed its regulation to encourage captives.

The New York insurance department believes that when the exchange becomes completely functional it will have a substantial impact on the economy of the State. It is believed that the exchange will initially generate new direct and indirect New York City employment of more than 2,000 and as many as 6,000 jobs within 10 years. In addition, establishment of the exchange would increase office space rental and would increase travel to New York from other States and foreign locations, so helping the hotel, transportation and restaurant industries.

Serious

A sign of New York's more serious ambitions in world insurance markets is that the concept of the exchange has been changed during the passage of the legislation.

Originally the concept called for creation of a reinsurance exchange but now there will be situations in which the exchange will be permitted to write business directly.

It will obviously take some time to develop. Of more immediate importance is the establishment of the New York free trade zone. In essence this allows with effect from last week authorised insurers to negotiate rates and policy form conditions with large commercial risks in excess of $100,000 and with certain types of coverage to be unique and unusual without being bound by the State's current rate and policy form requirements. The exemptions apply to any kind of insurance except life insurance, annuities, accident and health, workmen's compensation, title insurance and cover for personal lines for non-business purposes.

The smaller "difficult to place" coverages (possibly including product liability) and an "exotic risks" list are to be formulated by the insurance department, which would also be given other broad regulatory powers over the zone. Licences to participate in the free trade zone would be granted to companies meeting requirements which include a minimum of $4.4m in surplus (twice the statutory minimum for admitted carriers) and the payment of an annual $1,000 licence fee. The superintendent of insurance could limit the percentage of a company's business which would be written in the free trade zone to prevent the redirection of surplus from personal lines, and would have the power to revoke a free trade zone licence.

The "exotic risk" list would probably include such risks as private flying, animal rides, motor racing and baseball parks.

Although the latest move towards de-regulation is encouraging and could give a lead to other States, the reinsurance market in the U.S. remains riddled with regulations on a State-by-State basis. Reinsurance companies are subject to minimum capital and surplus requirements, investment restrictions, limitations with regard to size or risk, guidelines relating to premium-to-surplus ratios, regular and periodic financial reporting and disclosure, triennial examination, holding company reporting, and a host of other strictures intended mainly for primary writers but imposed none the less on reinsurers.

However, most reinsurers which operate on a multi-State basis have become sophisticated in dealing with the various levels of regulation. There are advantages, moreover, in operating a State-by-State regulation system rather than a nationwide system of insurance laws. State regulation allows a certain freedom on a local level which might not be exercised under a unified or nationwide system. But obviously other States might be tempted to follow New York's example in order to keep more insurance business in the U.S.

J.M.

Movement abroad

EUROPE

FACED WITH overcapacity and sluggish economic growth at home the leading European reinsurance companies are stepping up their activities abroad.

In the past 12 months those with pool arrangements or co-insurance deals in the U.S. have begun to open their own branch offices and become premium competitive. There is also a growing tendency to take a more active interest in reinsurance in developing countries.

Both moves are occurring simultaneously and are being spurred both by increasing competitive pressure in home country/European markets and by the relative attractiveness of new business opportunities. The U.S. contributes roughly half of the annual world premium income and the developing countries, with their increasing demand for manufacturing facilities and infrastructure, are major growth markets for the reinsurers.

In the drive overseas, European reinsurers are striking a number of obstacles. In developing countries, for example, nationalism and nationalisation are threatening growth. To some extent these twin problems are being overcome through the judicious use of partnership arrangements. In addition, the European companies are using every opportunity to persuade developing governments that isolationism, from an insurance point of view, is a very dangerous policy.

Addressing a recent conference in Manilla, M. Pierre de Vogue, chairman and managing director of Société Commerciale de Reassurance said that attempts to achieve a balance of insurance institutions throughout the world must be undertaken with proper regard for the irreducible principles underlying the techniques of free international risk exchange. "A market cannot on its own retain the entirety of the risks it writes and each one must, sooner or later, establish links with the rest of the world as a means of attaining that international sharing in the peak risks which is the true purpose of reinsurance," he said.

He added that in developing countries there was a great need for reinsurance cover, both because of structural imbalance in local markets and the fact that certain regions were more exposed to such catastrophes as earthquakes and hurricanes. While Australia is not exactly a developing country in the accepted sense of the word, the lessons from the series of natural disasters in that country in 1974 are being used as a case study by some of the European reinsurers who are meeting developing country officials. But for the extensive network of reinsurance arrangements between the Australian insurance markets and European, UK and U.S. markets, the Australian industry would have been very severely hit by the unpredictable coincidence of several natural disasters.

The complementary movement to upgrade their U.S. operations is due to a desire to become more premium competitive and innovative in the market that generates much of the world's insurance premiums. But there is also a greater desire to know the market better and to have a greater degree of control over the type of business they are accepting.

They are not being hit by the tightening of the U.S. market since they are expanding from such a very low base. In most cases they are able to overcome the problem of low profitability on U.S. business by being selective. Primary reinsurers have become more aware of the need to deal with financially substantial and well-managed groups and the Europeans, with their established track records, have a considerable edge in this regard.

The move to the U.S. is in essence an extension across the Atlantic of an earlier move across the Channel. In the early 70s an increasing number of European reinsurers established offices and branches in London in an effort to increase both the geographical spread of risks and also the type of risk. The same reasoning is behind the move into the U.S.

It is being led by the larger W. German and Swiss firms, although the French and Scandanavians are also showing some interest. To a large extent this pattern reflects the relative strength of the domestic economies and the opportunities, or lack of them, for super-normal growth by the large reinsurance groups. Economic growth in Germany and Switzerland is just a little sluggish at the moment and the governments of both countries are resisting pressure to reflate. They both fear that any significant moves to stimulate activity will add to inflationary pressure rather than add to real growth.

So growth in domestic demand is correspondingly lower than in the past and there is an increasing problem of overcapacity and a worrying (for the bigger firms) move towards unprofitable rates. This is occurring at a time when inflation has made claims more expensive.

In Italy and Portugal the problems are political instability and inflation. Rising claims and rising costs in both these countries has meant that management attention has been almost singularly directed to domestic situations. Both tend to weaken corporate cash flows, increase risks and restrict expansion.

Confidence

France has experienced a bit of a resurgence since the elections earlier this year removed the uncertainty overhanging its industrial future and helped restore French commercial confidence. While not directly affected by threats of nationalisation itself (being a semi-controlled sector already) the potential did hit the assessment of risk. Since then there has been a significant reappraisal and one or two larger firms are starting to flex their overseas muscles.

Elsewhere in Europe the picture is much the same. One interesting development in Austria is the growing pressure for a new sizeable reinsurance company capable of handling both domestic and international business. The Austrian Minister of Finance has on several occasions within the last few months suggested publicly that the growing currency drain related to reinsurance premiums would not be tolerated indefinitely.

The country only has one professional reinsurance company, the Wiener Ruck, which has made good progress over the past 10 years. Efforts have been made—which have attracted the support of a major Austrian banking group—to set up a second and sizeable reinsurance firm. The preparations for starting the firm were made relatively secretly and had advanced reasonably far. But after the banking group's board gave approval in principle for the idea the matter became public and strong opposition from Austrian insurance interests and some international reinsurers forced the idea to be shelved.

There is no "supermarket" in Europe for the Jumbo risks and reinsurers seeking a piece of this action have to turn to overseas. There have been some mutterings about the setting up of such a market, if only to keep the business on the Continent, but it has come to nought. In the main the European companies are happy to use existing infrastructure in London and to some extent in the U.S.

In the past 12 months there have been some changes to regulations covering insurance and reinsurance companies operating in EEC countries but as these have between 18 months and two years before they come into effect, they have not really ruffled the Continental reinsurance surface. It is likely that there will be considerable discussion between the companies and the Commission before the measures take effect which could lead to substantial modifications.

Terry Ogg

Reciprocal agreements

THE MIDDLE EAST

THE OIL boom in the Middle East opened up new and exciting horizons for the countries concerned. Capital became available for massive industrialisation programmes and this in turn led to a need for insurance facilities on a large scale.

This boom, however, coincided with an upsurge in nationalistic feeling resulting in all insurances having to be placed locally. This move is now commonplace in most emerging countries and it is reinforced by a determined attempt to stop the outflow of foreign exchange from the countries concerned. But the risks to be insured in the Middle East are massive in size and of a high risk category as would be expected from oil installations, petrochemical and contractors all-risk business. The normal low risk bread and butter business is not yet available in sufficient volume for insurers to achieve a balanced portfolio spread.

In such circumstances the need for reinsurance is paramount. This was highlighted by the explosion at the Umm Sa'ed gas liquefication plant at Qatar. The cost of this disaster was put at $75m—six times the total annual insurance premiums in the country. Other recent major disasters have been the fires at the Julfa Customs warehouses on the Iran-Soviet border where damage is estimated at $175m and fires in the Abgaig oil pumping station and pipeline in Saudi Arabia where the damage is likely to be up to $85m.

The problem facing local insurers in the Middle East is in deciding how much business should be retained by the local insurance industry and where the necessary reinsurance should be placed. The desire to curtail the outflow of currency has led to various attempts to keep as much reinsurance as possible within the region itself.

A landmark in this development was reached in 1964 with the establishment of the General Arab Insurance Federation (GAIF). The prime reason for the formation of GAIF was to promote greater co-operation between Arab and other Middle East countries in providing reinsurance facilities outside the local area but within the Arab world.

This resulted eventually in the creation of various Arab reinsurance pools. The aviation and engineering pools started in 1968. They were followed by the fire pool in 1971, the marine (cargo) pool in 1972 and the marine (hull) pool in 1976.

Dr. Mustafa Rejab, vice-president of GAIF, speaking at last year's Arab insurance 77 conference held in London, set out four primary reasons behind the formation of the pools. First, they were designed to share business among member countries to ensure that the retention capacity of each was better utilised. Second, the pools were intended to assist the overall Arab insurance industry in keeping more business within the region. They would also restrict the outflow of foreign exchange which resulted from effecting reinsurance outside the Arab region. Lastly, the formation of the pools represented a big step in promoting closer collaboration between the various insurance markets in the Arab world.

The management of each pool is entrusted to a member company and understandably the managers of the various pools are spread around the region. Aviation is managed in Egypt, engineering in Iraq, fire in Tunisia, marine (cargo) in Kuwait and marine (hull) in Morocco. The management company handles the administration and receives as remuneration a small percentage of the premium income. The management company is responsible for dealing directly with the members of the pool and deciding on technical matters, including the business accepted. The terms and conditions on which business is taken follows the lines which the ceding company received from its main insurers.

Slow

This development, which sounds excellent in theory, has not progressed along the lines expected. Growth has been comparatively slow for three main reasons. First, the response by members of GAIF has been disappointing. The pools have only the full support of a minority. There are some 80 national companies belonging to the Federation, but only 27 belong to the aviation pool, 23 to engineering, 17 to fire, 25 to marine (cargo) and 17 to marine (hull). In addition it is the same groups of companies that tend to participate each time.

Secondly, those members who do use the pools do so in a very modest way, insuring only a comparatively small percentage of the original risk. Insurance and reinsurance requires confidence that claims, when they arise, will be paid promptly and in full. Perhaps there has not yet been sufficient time to build up this confidence.

Finally, the portfolio spread is not adequate on its own. The pools have had to seek further common account reinsurance protection to avoid the danger of accumulation and catastrophe hazards. This course of action naturally involves extra expenses for the pool, placing an unduly heavy burden on the limited premium income.

Indeed it appears that the development of these pools has gone into a vicious circle. The members of GAIF will not support the pools because they are not big enough or are without an adequate spread of risks. The pools cannot grow or get the right spread because of lack of support. It will be interesting to see how this situation progresses over the next few years, particularly as other regions are also setting up reinsurance pools.

The Federation has also encouraged the establishment by Arab countries of reinsurance companies as distinct from pools. Besides some six national professional reinsurers in various countries, there are two regional reinsurers set up under GAIF auspices—the Arab Reinsurance Company and the Arab Union Re.

The Arab Re was established in Beirut in 1972 and receives a percentage of the reinsurances of those companies holding an equity stake. Arab Union Re was formed by the governments of Egypt, Libya and Syria in 1976 and operates from Damascus. It handles compulsory reinsurance from all companies transacting insurance in those three countries amounting to 10 per cent of the risk.

But these developments have not stopped Middle East insurers from seeking worldwide reinsurance facilities. Indeed, the spread of risks on a world-wide basis should not be held back by the need to stop the outflow of exchange. Reinsurance has been subject to the warmest collaboration and mutual trust between the Arab world and Iran on one hand and the international market, particularly London, on the other. This relationship has not been impaired by the efforts to set up reinsurance industries in the region.

Eric Short

A well-fished pond

SOUTH EAST ASIA

TO THE international reinsurer South-East Asia is a tempting mixture of excitement, opportunity and bewilderment. One British expert has likened it to a well-fished pond. Another speaks of new companies springing up like mushrooms. Not surprisingly, therefore, enthusiasm for the area within the industry is generally well-tempered with caution.

At one end of the scale lie the small, robust and ambitious financial centres of Hong Kong and Singapore, where most of the big insurance companies base their regional operations. Both places combine a well-established business and communications infrastructure with a minimum of interference and a convenient measure of tax leniency. Hong Kong is certainly the leader in terms of operating scale, with many of the major UK and European reinsurance concerns active there for many years. But Singapore is making a determined bid to become a focal point for insurance business in Asia.

Grouped at the other end are the sprawling, heavily populated countries such as Indonesia and the Philippines, rich in mineral wealth and agricultural resources but hampered economically by their vast size and their geographical fragmentation. Politically, too, neither has been exactly a model of stability in the past.

Even so, there appears to be no shortage of companies wishing to set up business in the region. The attractions of Hong Kong, with its powerful laissez faire tradition, maximum 15 per cent tax rate, and concentration of financial expertise and energy are obvious. Singapore is also energetic, but smaller; it is, moreover, not a colony like Hong Kong but an independent State.

Yet Singapore, conscious of its key location in the heart of the region, has worked hard to promote itself as a reinsurance centre. Its regulations are accommodating rather than constricting and it now levies a tax rate of only 10 per cent on non-Singapore reinsurance business, four times lower than that on locally generated business.

Because of its own aspirations, it has tended to remain aloof from the regional attempts to establish some form of Asian reinsurance group. Such moves have also, not unnaturally, met with scepticism from the big international reinsurers. They doubt the collective political and business capacity to implement such an undertaking which if successful would clearly detract from their own profitability.

There are currently two developments in the direction of a regional South-East Asian reinsurance industry. The one which has so far made the most headway is the Asian Reinsurance Corporation, being set up in Bangkok. This venture has the considerable backing of the UN Commission for Trade and Development (UNCTAD).

The initiators of the Asian Re have based their efforts on the following premises. First, it was emphasised, insurance plays a major role in the development of the national economies of the area, both as a provider of economic security and as a generator of funds for investment. Secondly, the national reinsurance markets make extensive use of foreign reinsurance services.

The next point, and a key one in the context of regional economic ambitions, concerned the outflow of insurance business in the form of outward reinsurance covers; a serious foreign exchange drain was felt to occur for each Asian and Pacific country and thus for the region as a whole. This leads to the fourth and final point made by the Asian Re supporters, namely the need to make use of this regional acceptance capacity to the utmost and foster the retention of a larger slice of the reinsurance business.

It is estimated that the 10 countries originally to take part in the venture reinsure abroad to the value of some $250m-worth of premiums a year. If roughly 5 per cent of this were to be allocated to the Asian Reinsurance Corporation, its premium volume would be over $12m as a beginning. But in the interests of caution, it was recommended that the initial premium volume should not be above the level of $5m.

Once in full operation, Asian Re will aim to channel the region's reinsurance surplus to insurers and reinsurers within Asia as much as possible, invest these funds, act as a centre for collecting information and developing expertise and provide technical help to the national insurance markets.

Non-Asian observers in the reinsurance world are frankly doubtful of Asian Re's chances of success, though they recognise that they will have to come to terms with it if all goes as the corporation's backers hope. With a high incidence of natural disasters in South-East Asia—two especially cyclone or typhoon-prone countries, Bangladesh and the Philippines, are members—the potential risks are enormous.

Working from the other direction, a different impetus towards the setting up of a regional reinsurance network has come from the countries grouped within ASEAN, the Association of South-East Asian Nations.

According to the president of the Malaysian Insurance Association, Mr. Taib Razak, such a project would reduce the large amount of reinsurance placed outside the ASEAN region, which also takes in Singapore, the Philippines, Indonesia and Thailand. Three years ago, Mr. Taib remarked, some 60m ringgits ($26m) in reinsurance money in his own country's case was placed overseas, chiefly in London. In 1976 this shot up to 75m ringgits, rising further in 1977 to 87.5m ringgits ($38m), a figure which represented 21.5 per cent of gross premium income.

Mr. Taib, a vice-president of ASEAN's Insurance Council, said a feasibility study on the proposed ASEAN reinsurance company was being drawn up, and member companies would review this in Kuala Lumpur early next year.

This even more embryonic striving in the direction of a regional insurance identity, is paradoxically, given a greater chance of success by some UK experts, mainly because the countries involved are more homogeneous than those making up Asian Re, which includes Iran and India, as well as South-East Asian nations.

Andrew Fisher

Integration moves

AFRICA

AT THE start of this year the African Reinsurance Corporation was formed with the backing of more than 30 African States, all of which have pledged tangible support. Under the constitution, member countries will pass on 5 per cent of their overall reinsurance business, and since the new pan-African company has first choice it will clearly be getting the top slice of whatever is available.

Views on the Africa Re tend to be polarised. The move can be seen as yet another display of nationalism on the part of Africa, and to some extent accusations of this kind ring true. But it can be argued with equal force that the new company represents a significant step towards an integrated and credible reinsurance industry within the African continent.

Whatever the motives of developing nations in setting up indigenous insurance industries, the end result is undeniable — the emergence of powerful new insurance and reinsurance blocs in parts of the world outside the traditional underwriting arenas of London, and New York. For the City of London (and Lloyd's in particular) this has meant a gradual loss of business, especially in and around former colonial territories which today make up so much of the developing world.

The major composites, with their wide overseas connections, were probably the first to feel the winds of change, and that goes for the life companies too. The reinsurance groups have also lost many traditional lines of business.

However, as with many other types of "market," world trade has been expanding rapidly enough to leave the UK insurers with little enough to complain about. At the same time the two-way flow of business for the reinsurer in this country has brought with it some distinct benefits, notably in the form of increased high risk—and high reward—placements.

The amount of actual business that a newly developed insurance company can undertake is for obvious reasons often limited, and as a result recourse to reinsurance has become a top priority among the less developed nations. Africa is no exception in finding that Lloyd's is one of the few international insurance centres capable of absorbing specialised high risk business.

To some extent the covetous eyes that the insurance centres in Africa cast towards London and the level of reinsurance that the City undertakes brings into conflict fears for the stability of the African insurance industry. The African States are strongly nationalistic, and the formation of local reinsurance centres, whether to place as a matter of pride alongside the national airline and the international sports stadium, or to stop a drain on valuable foreign exchange could lead to a lessening in the dilution of risks.

Thus the formation of the Africa Re is a welcome turn of events. It is clearly early days yet, but the portents are more than encouraging and it looks as though African reinsurance thinking has begun to move back to the broader idea of risk spreading, rather than risk concentration.

In fact co-ordination is now the name of the game rather than concentration, and the catalyst has been the three years of discussion that led up to the birth of the African Re. The move towards greater co-ordination was emphasised at *the recent African Insurance* Conference held in Lagos, Nigeria, which is where the African Re has its headquarters.

One of the more radical suggestions put forward at the Lagos conference was that the African insurance industry should help create an "Afro-dollar." It was argued that the evolution of such a currency would help reduce the inflationary pressures arising from the dollar and sterling. "We should insist that our reinsurance treaties are settled in this currency which would cross international boundaries without fluctuation so that each market can stay with its own inflation," urged one speaker.

Radical

He went on to say that "the experience we are gaining from *doing our own thing must be* consolidated so that when we deal with the developed world and their large markets we can be sure of obtaining as much advantage as possible."

The conference mulled over the problem of the net outflow of premiums from the developing nations when any examination of the exchange of reinsurances between Africa and London and New York was made. Could this be stopped or reversed without harming the development of the growth of the insurance industry in Africa? Delegates came to the conclusion that in this respect *the formation* of the African Re was a step in the right direction.

The African Re was seen as possessing truly Continental stature being backed by many members of the OAU, an organisation which is *itself* almost two decades old. It was destined to play a major role in ensuring that available reinsurance capacities in Africa were used before reinsurances went into other world markets. As the first of its kind in the developing world, the African Re "must be jealously guarded and built upon."

In many ways the conference —*the sixth* of its kind—proved a remarkably valuable forum for ideas and proposals, both radical and conservative. Mr. Duncan Ndegwa, the Governor of the Bank of Kenya, adopted a slightly sombre stance in urging the conference to consider the crucial question of whether the reinsurance industry in Africa could ever break out of the "vicious circle" in which it had been *forced to operate.*

The growth of insurance premiums in developing countries tended to contribute to an increase in outward reinsurance and hence a large volume *of foreign* outflows. "As the process continues it is becoming increasingly doubtful whether insurance companies in Africa will ever create the sort of surplus needed to enable them to become viable entities *in the face of stiff* competition from established insurance giants."

Virtually all the insurance companies in Africa are nationalised with the major centres in areas like Malawi, Kenya, Ghana, Zambia and Tanzania. Kenya is something of an exception in that it allows non-Kenyan insurance companies to flourish and compete alongside its indigenous industry. But even here change looms. Heading towards the Kenyan statute book are laws demanding that all foreign-owned insurance companies register as local groups. This would appear to lead to the prospect of some form of eventual domestic shareholding in foreign owned companies.

Many Western observers feel, however, that Africa's demands for a greater control over the flows of foreign currency associated with reinsurance are not always in context. They point—and with some conviction—to the hard currency that flows back into the developing world as a result of claims experience. This can often outweigh the impact of currency lost through the outflows of premiums.

Jeffrey Brown

Aggressive newcomers

REST OF THE WORLD

POOR PEOPLE can't afford insurance—and probably don't have very much that is worth insuring anyway. That is a fact of life which has to be accepted by insurance companies operating in the poorer countries of the world. According to figures compiled by Swiss Re, a populous country like Nigeria generated total insurance premiums of only just over $200m in 1976, and Indonesia roughly the same.

The comparable figures for Japan and West Germany were 100 times greater in each case —and these nations rank a long way behind the U.S., easily the leader in world insurance, itself representing almost half of the world market (excluding the Eastern bloc).

In time, a less developed country's insurance market will grow and develop along with the economy as a whole. This is plainly true of oil-rich nations like Nigeria and Indonesia, where there are many large capital projects being constructed as well as a rapid increase in the wealth of the population at large.

But in the meantime insur*ance companies in many of* these emerging countries of the world have proved keen to expand beyond direct domestic business and seek an extra measure of expansion through participation in the international reinsurance market.

Direct

So it is that reinsurance business has featured important changes in its international structure in the past decade or so. A powerful role is still played, of course, by Lloyd's and the big traditional specialist companies. But increasingly reinsurance business has come to be written by insurers whose major operations are in the direct field. Alternative markets have sprung up. And to a significant extent the companies writing international reinsurance business are not just the big European and American operators, but include aggressive representatives of some of the lesser known insurance nations such as South Korea and Taiwan.

Naturally the establishment participants are not always very pleased at the increase in competition for reinsurance business which has resulted from this extension of participation. And there is widespread concern that rates have been driven too low on many classes of business, so that the industry may have become unduly vulnerable to future catastrophes.

The companies tend to point to London's highly active international insurance broking community as bearing some of the blame for persuading far-flung insurance companies to participate in the London reinsurance market, in a quest for quick brokerage. The brokers counter this by pointing to their historic role in the development of the London insurance market, showing that they take very much of a long-term view.

Both sides, however, share a degree of concern about the health of the reinsurance industry. When Mr. D. M. C. Donald, chairman of Mercantile and General Reinsurance (a subsidiary of the Prudential) welcomed the expansion of the market's capacity in his annual statement in April he also hoped there would not be "a deterioration in the technical standards that have been so carefully, and sometimes painfully, established over a *period.*"

Others put it less delicately, fearing that a rush of inexperienced newcomers is bound to lead to incautious and unbalanced underwriting, and to *some* badly burnt fingers in the course of the next few years.

A complicating factor is that reinsurance is very much of a long-term business. It may not be apparent for some years that business is proving to be unprofitable.

In this situation many in the insurance markets would like to see a reduction in capacity, especially in areas like marine hull reinsurance and in aviation. But keen competition is a fact of life, and barring a spate of disasters there is little early prospect of a change in the pattern.

Meanwhile, just as the growth *of newer* insurance companies around the world is leading to their entry *into* the international reinsurance business, so their domestic reinsurance requirements are leading to an expansion of reciprocal business.

In many countries tight restrictions on the participation of foreign companies in direct insurance are in force. To take one example, Jamaica is now *insisting* that domestic business must be placed with a company in which the majority shareholding is held locally, and this is forcing foreign insurers to reorganise their operations.

It is much less easy, however, for a country to erect barriers against foreign reinsurance as opposed to direct business. Sometimes, indeed, political interference with the structure of the domestic direct insurance market can lead to a greater requirement for access to international reinsurers.

If such access is restricted or prevented, then there are likely to be severe deficiencies in local insurance availability. Many forms of cover may simply not be available, or only to an inadequate extent, which is a problem for the individual citizen. And on a national scale there is a danger that a country will be bearing on its own shoulders too much of the risk of a major catastrophe.

In general, of course, international reinsurers like to see relatively few restrictions on national markets. As a rule, the fastest growing areas for new business have been those least hampered by government controls. And despite nationalistic tendencies round the world, there has been plenty of scope for overall growth bearing in mind that insurance business tends to expand much faster than overall economic activity—especially for poorer countries.

A prime case of rapid *economic growth* has been Japan, and this is an example of a country with an insurance industry which has expanded from modest beginnings to the point where it is a major force on the world scene. For reinsurance, Japan has become very much of an alternative market to London.

A particular problem for the Japanese has been their vulnerability to earthquakes. This has forced them to go out on to the world market to reinsure their earthquake liabilities, *though in offloading some* 87½ per cent of their exposure they have exhausted world capacity.

Japan is also a substantial placing market for other types of reinsurance cover. As a rule *Japanese companies* like to have around 10 per cent as an optimum proportion of reinsurance premiums within their overall total. This approach has made them among the more aggressive seekers of foreign reinsurance businesss.

The recent rise in the yen has played into the hands of the Japanese reinsurers. So long as the premiums were paid promptly and converted into yen, the Japanese companies will find it unexpectedly cheap to pay out claims in appreciated yen. It is a stroke of good fortune for them which British insurers will regard with a touch of envy—though even sterling-based companies will have more than washed their faces on dollar-denominated businesss in the past year or so.

Barry Riley

M. Barre and a question of balance

By DAVID CURRY, in Paris

IT WAS doubtless pure coincidence that Raymond Barre became Prime Minister of France two years ago on the anniversary of the liberation of Paris from the Nazis. The rotund and ebullient Prime Minister might claim that he has devoted these two years to liberating France from her economic illusions and to setting industry free to face the international competition of the third millenium.

The Giscard d'Estaing team has come a long way in these two years. It has been dominated by three themes. The first and most persistent one has been the need for economic recovery after a near suicidal dash for growth by M. Barre's predecessor, M. Jacques Chirac, in 1975.

The second theme was the need to fight an election which seemed destined, through public boredom with the Gaullists and general economic conditions, to bring the Socialist-Communist alliance to power.

Following the general election victory—a victory which endowed M. Barre with a formidable political personality—there emerged a third theme. As the economy began to improve, M. Barre was able to embark on his campaign to modernise French industry to face up to what he calls the fundamentally new conditions of international competition, stemming from the rise in oil prices and the arrival of new industrial powers challenging the West in both traditional and new technology. The abandonment of industrial price controls, the tough line on lame ducks, and measures to improve corporate finance all come into this category.

With the election negotiated, two new—or at least renewed—themes, will grow in importance. The first is the policy of social reform and economic improvement for the underprivileged and people at the bottom of the earnings scale. To these categories must be added—because Giscard knows who his electorate is—women, for the President has made the betterment of the position and status of women one of his pet themes.

Higher pensions, bigger family allowances, longer maternity leave for women and similar measures came hard on the heels of the election success, in fulfilment of promises to make resources available to the most needy as the economy began to allow some margin of spending.

The second theme (whose emergence is promised but which has yet to take form) is the famous Government plan to engineer a social and political "opening-up." By this the President means a grand grouping of pragmatic reformers to whose ideas the Government will be responsive and who themselves would play a role in Government, irrespective of their ideological background.

The two years of M. Barre have also been marked by a radical turnover in Ministers. The first cabinet was dominated by leading party political figures with long and sometimes erratic pasts—M. Jean Lecanuet, Prince Michel Poniatowski, M. Olivier Guichard. They were sent packing because of the pre-electoral in-fighting and those who now hold the vital portfolios owe their position to the personal favour of the President and to their technical skills.

M. Rene Monory, the garage owner from Loudun, unrefined by any of the grandes ecoles and representing the proverbial wisdom of the small, provincial entrepreneur, sits at the elegant desk in the Economics Ministry.

M. Maurice Papon, a forgotten Gaullist, for years National Assembly Finance Committee chairman, a former Paris prefect of police, with a life-time's knowledge of the foibles of power, is Budget Minister. M. Andre Giraud, the Industry Minister, is a pure technocrat, once the civil servant in charge of France's nuclear programme.

M. Jacques Chaban-Delmas, Giscard's Presidential opponent of 1974, is now once again President of the National Assembly and is almost a recruiting agent to persuade moderate Gaullists to defect to Giscard's future line-up.

Only M. Jacques Chirac, former Prime Minister, Giscard's original Presidential sponsor but now a bitter opponent, remains. He flies a flag of defiance from the towers of the Paris Hotel de Ville, which he has made into a Gaullist fief under himself as mayor. His call to the population to celebrate the liberation of Paris was itself a thrust aimed at Giscard, who has tried to play down patriotic celebrations of World War II victories.

Finally, the personnel who serve the Cabinet and the Government have changed. In the important Cabinet bureaucratic posts and in the jobs under State patronage, the men who formed the human fabric of the Gaullist State have been replaced steadily by loyal servants of the President.

The dominant theme over the two years has been, of course, the economy and M. Barre's prime-ministerial stint will be judged finally on his economic success. He has always insisted that there are certain "basic equilibria" which must be established as the precondition for renewed economic stability and inflation-free growth. These include the balance of payments, the money supply, the stability of the currency, wage moderation and the relationship between Government income and expenditure. Other indicators, according to M. Barre, simply reflect the basic soundness of the economy. The evolution of prices and unemployment are the obvious indicators in this category.

M. Barre: a campaign to modernise French industry.

According to this scheme of things, it is perfectly normal and perhaps inevitable if the indicators appear to give contradictory messages. This is what has been happening.

M. Barre's basic indicators are moving into equilibrium. The franc has appreciated solidly against the dollar and, since France imports 75 per cent of its energy, the dollar-franc relationship is the all-important one. Apart from a pre-electoral flutter, the franc has been in no trouble on the foreign exchange markets and the cost of day-to-day borrowing on the money market has been allowed to drift to seven percentage points below the Euro-dollar rate.

The balance of payments figures have also improved sharply. France has been in the black on its commercial balance for the past six months with exports over the past year increasing at three times the rate of imports. So far this year the overall surplus is FFr 1 6bn (about £190m) against a FFr 10.37bn deficit at the same point last year.

The budget deficit has been a harder nut to crack and the Government is planning for a significant shortfall for 1979, following President Giscard d'Estaing's promise at the Bonn economic summit to tolerate a wider deficit than originally envisaged.

The original outline of the 1978 budget provided for a FFr 9bn shortfall. In fact, it is likely to end up closer to FFr 25bn-30bn because of the lower level of economic growth and because of a series of small sectoral stimuli. Next year the Government appears to want to hold the line at a deficit of about FFr 15bn (on spending of almost FFr 460bn) which will necessitate tax increases.

M. Barre undertook not to increase direct taxes during the election campaign, so it seems that indirect taxes will bear the brunt. The old favourite is petrol, which is deliberately being treated as a rare and hence expensive commodity. Certain fiscal privileges (no fewer than 72 professions benefit from special tax treatment in one way or another) may be reduced and some tax brackets adjusted.

Credit control remains firm. The liberalisation of industrial prices has not been matched by setting free bank lending. The money supply expanded by 13.1 per cent last year and this year's target is similar.

An essential element of the recovery programme has been the control of wages to a level sufficient to cover the higher cost of living. At the top end of the wages scale pay has been frozen and at the bottom end a small real increase has been permitted.

This policy may be in danger of erosion. In the second quarter of the year, hourly wages were more than 5 per cent up (compared with 2.2 per cent in the first quarter) and the Government is telling industry firmly that it must not use its new-found price freedom to pay for industrial peace.

The "equilibrium" generally achieved in these areas is unstable (trade, for example, is vulnerable to a new oil price increase). It has not been established long enough to permit unemployment to come down, nor has inflation fallen below double figures.

The Government has refused any systematic reflation to curb unemployment, though it has produced a half-hearted scheme to encourage employers to recruit labour by reducing social charges for a limited period. It regards unemployment—likely to reach 1.2m this year according to the Government—as an inevitable consequence of the necessary restructuring of industry.

Hence, it has insisted on comprehensive recovery programmes from "lame-duck" companies. The programmes include renewed management, where possible new shareholders with industrial or financial expertise and a labour force of an efficient size for the job in hand. The evidence is that a number of large concerns are dispensing with excess labour, partly stored up during the pre-election period, as a part of the approved policy of restoring financial strength in order to carry the French flag into world markets.

One essential point has to be made. The French have not had austerity—not, at least, those who have remained at work. The only wages to be frozen have been those of the very well paid getting more than FFr 25,000 a month and everyone else's wages have at least kept pace with inflation. Hourly wage rates were up 12.1 per cent last year, giving an average real increase of 1.2 per cent.

The next few months will be crucial to M. Barre. They will show whether industry has been moderate in its price increases and will indicate whether the Government will go through the year without facing too great a strain on the wages front. He could face sustained pressure from the Gaullists for an economic policy destined to bring down unemployment, while he has a number of difficult industrial dossiers on his desk — steel among them — where implementation of a realistic policy will certainly cost regional jobs.

He must also be aware that all the time the man in the Elysee must be pondering at what time his blunt and pugnacious Prime Minister — so clearly wedded to, and associated with economic rectitude — ought to be sacrificed to symbolise the "opening up" of the regime and the restoration of social reform as the main pillar of the President's re-election bid in 1981. There will doubtless come a time when the Barre programme can survive without M. Barre.

Letters to the Editor

Schedule D taxpayers

From Mr. David Hayman

Sir,—Clearly Mr. Scotton (August 31) has missed the point of Mr. Andrews' letter. At present (except for when a business first commences) a Schedule D Case I or II taxpayer will pay his 1978-79 (ie current year's) tax on January 1 and July 1, 1979, while other sources of Schedule D (interest, furnished letting and foreign income) are due in one instalment on January 1, 1979. The point that the Revenue appears to be making is that due to inflation the assessment is based on a profit which is smaller than that which is earned in the year. This is because the profit taken is normally based on the accounts year ending in the previous year; an extreme example would be accounts for a year to April 6, 1977, being used for 1978-79 purposes (that is two years old).

Clearly we could have an adjustment to current basis, as with pay-as-you-earn. In 1943 I believe that one year's Schedule E figures was in general left out of charge when pay-as-you-earn was introduced.

Can we, however, have some sanity into this problem? First, revising to actual basis will not speed up the payment of the tax. This is because the Revenue cannot revise assessment to actual basis until the profit for the period is known, and we can therefore expect most taxpayers to suddenly wish their accounts to be prepared to February 28 or March 31 each year because this would mean the actual profit for the last 36 days and five days respectively will not be known for over a year after the end of the year.

Second, surely the Revenue has enough problems over the workload of its staff without inflicting the presumed initial assessment and subsequent increase or adjustment.

Thus nothing will be gained by the exercise except extra work for all concerned, taxpayers, their agents and Revenue staff.

If the problem is the man who delays preparing accounts, submitting them to his Inspector of Taxes and who, when correctly assessed, does not pay until the last possible moment, then this action should be to strengthen and make mandatory the payment of interest on tax period late and make this payable regardless of whether the profit has been assessed. I am sure many of my fellow pay-as-you-earn payers would welcome this, since we don't have the privilege of paying our tax late by delaying submission of figures.

David Hayman.
30, Monckton's Avenue, Maidstone, Kent.

From Mr. J. B. Mitchell

Sir,—I must reply to the letter of Mr. G. Scotton printed in the Financial Times of August 31, and say that writing as a professional accountant in practice, my experience is that the great majority of Shedule D taxpayers have financial year ends on March 31 (or April 5 and December 31). I am confident that Inland Revenue statistics would confirm this. The majority of Schedule D taxpayers are more concerned about arranging a date which is more convenient for stocktaking purposes, and only a very small proportion would select April 30 merely to obtain a cash flow advantage as regards payment of tax. A great many Schedule D taxpayers do not like paying tax on profits earned two years previously. In times when profits fluctuate considerably this can cause cash flow problems rather than bring cash flow benefits.

J. B. Mitchell.
6, Dunstarn Drive, Leeds.

From Mr. B. G. Williams.

Sir,—The question "How long is the delay between earning a pound and paying the tax thereon in the case of a self-employed person?" can be answered quite simply by considering the cases of Mr. A and Mr. B.

Mr. A. chooses April 5 as his accounting date and Mr. B. chooses April 6. Ignoring the complications arising on the commencement or cessation of a business and on the change of accounting date, no self-employed person is called upon to pay tax earlier than is Mr A, and none can expect to wait longer for a tax demand than Mr. B., e.g.,

	Mr. A	Mr. B.
Period of account	6/4/76-5/4/77	7/4/76-6/4/77
Year of assessment	1977/78	1978/79
Normal due & payable dates	1/1/78 & 1/7/78	1/1/79 & 1/7/79 (2 equal instalments)

On the first pound earned in the period of account (say, early April, 1976) Mr. A. pays one half of the tax 21 months later and the remainder 27 months later. On the last pound earned in the period (say, late March, 1977) he pays one half of the tax nine months later and the remainder 15 months later.

Mr. B., however, on the first pound earned in his period of account (again, say early 1976) pays one half of the tax 33 months later and the remainder 39 months later. On the last pound earned in the period (again, say late March, 1977) he pays one half of the tax 21 months later, and the remainder 27 months later.

Thus, in the case of a self-employed person the shortest delay between earning a pound and paying any part of the tax thereon is nine months and the largest delay between earning a pound, and paying the whole of the tax thereon can be 3½ years.

This, of course, assumes that payments are made on the due and payable dates—but the Inland Revenue does have power to penalise those whose payments are not so made.

In times of inflation, then, there can be little doubt that a benefit accrues to a self-employed person in that the tax on "1976 pounds" earned (which, however, is not the same as received) is paid in "1977 pounds," "1978 pounds," or "1979 pounds."

However, the more interesting question is whether, looking at the social and economic structure of the UK as a whole, entrepreneurial talent is being given the climate in which to flourish.

This is not to suggest that such talent exists only within the ranks of the self-employed, but some of the greatest steps forward in the business sense (with all the ensuing benefits in every other sense) have been made by people who received more than promotion or a gold watch for the idea.

B. G. Williams,
4, Pen y fro Close, Dunvant, Swansea.

From Mr. R. S. Thomson.

Sir,—I refer to Mr. G. Scotton's letter (August 31) concerning Schedule D taxpayers. I should like to point out to Mr. Scotton that the timing of the year end is immaterial; the fact remains that irrespective of the date on which his accounts are made up to, the Schedule D taxpayer pays one year's tax in each Year of Assessment. It is agreed that tax on profits of a business with a year end on April 30, 1981, would not be payable until January and July, 1983 but, what is equally important and what Mr. Scotton has evidently overlooked, is that tax must still be paid in January and July, 1981. In addition, in normal circumstances, tax must be paid on the same first year's income of a business two or almost three times over, dependent on the actual accounting date.

This anomalous situation was recently recognised in Hong Kong where the tax on businesses moved from a preceding to an actual basis of assessment in 1974-75. On that occasion the transitional legislation involved the "dropping out" of one full year's profits in 1974/75 to compensate for the tax duplication in the opening years.

R. S. Thomson,
Director,
Tees Investment Corporation,
P.O. Box 84, City House, 206208, Marton Road, Middlesbrough, Cleveland.

From Mr. R. A. Hunt.

Sir,—I have read with interest your article "Move for Earlier Payment of Tax" and the purpose of this letter is not to add to the well-informed comments which have been made by other readers in respect of your excellent article. I have only one question: is there no Englishman with the courage of a Simon de Montfort or an Oliver Cromwell to curb the apparently unmitigated power of Sir William Pile and his pillaging barons of the Inland Revenue once and for all?

R. A. Hunt.
R. Crabbe and Co.
12, Landress Lane, Lairgate, Beverley.

EEC lobbying

From Mr. Gordon Cardigan

Sir,—It is perhaps just as well that the lobbyist quoted in your August 16 article on EEC lobbying as saying "lobbying the EEC is like watching grass grow" is now an ex-lobbyist.

Though Britain is a member of the EEC Community since 1973 (legally, that is), the spirit simply is not there. This negative political attitude has tended to foster hostile British company attitudes towards the operations of the EEC Commission in Brussels as well as of other European institutions.

The EEC Commission in Brussels is trying to implement the Treaty of Rome as it applies to different sectors of industry or the economy. What British companies have simply failed to grasp is the importance of keeping abreast of proposed regulations or directives affecting their particular line of business.

This has led to a feeling of helplessness or hostility, or both, by companies when confronted with, for example, a fine or court case for alleged infringement of such and such an article.

And yet there is ample scope for monitoring events or putting one's case. Indeed I know of no other international institution where civil servants are so co-operative. Would it that Whitehall were only half as open!

Gordon Cardigan.
396 Avenue Louise, Brussels B-1050.

Political funds

From the Organiser, Social Democrat Party.

Sir,—Recently the problem of political party financing has been given an airing but instead of coming up with ideas it has deteriorated into political table tennis.

Let me try and put forward some serious suggestions. Finance presently comes from four sources: industrial donations, trades unions, individuals and the efforts of the political parties themselves (raffles and garden fetes).

Under normal situations these are just about sufficient. However, 1979 sees the first Euro-Elections and the next six months will also see a General Election. Thus the finances of all political parties will be under great stress and it is possible that the elections could be less democratic by virtue of the financial status of the parties.

An alternative means of finance must be found that improves the democratic nature of politics and I hope the following suggestions have that effect:

(a) All company donations to cease including donations to organisations which have the effect of funnelling finance indirectly to a political party.
(b) Trades union donations to be similarly dealt with.
(c) Private donations to be declared to the Inland Revenue if over £500 in one year (including the value of services provided).
(d) All political parties to be financed from national funds distributed in the following way: contributions to be based on the total electorate to each constituency and is distributed in proportion to the votes of all parties that have managed to obtain enough votes to *retain their deposit at the previous election.*
(e) All funds that a party organisation can raise by their own efforts (excluding (a) to (d) above) would be legitimate party funds.

The effect of (d) would be to ensure that the constituency party obtains the funds it requires and also that regional parties, minor parties and individuals who have a local following are not disallowed from obtaining finance

The main area where I would expect criticism is with regard to the finance being for the constituency party and not the national party. My answer to that would be that national treasurers will have to try harder to keep national organisations going by getting the local parties to hand over the money needed.

Chris Tankard.
Torleven Estate, Porthleven, Helston, Cornwall.

Come back Enoch

From Mr. Kenneth R. Middleton

Sir,—The Chairman of the Chelsea Young Conservatives (August 25) is doubtless only too correct in his submission that we have little hope of seeing Enoch Powell as a Tory Chancellor because too many party activists will never forgive him his call to vote Labour. Such activists, however, are a tiny minority of the party's supporters, who might now usefully be reminded of the situation at *the time of Mr. Powell's action.*

The overriding question was, in Mr. Powell's view, that of permitting the country to determine the issue of continued membership of the European Community. Mr. Heath had backtracked on his implied promise to consult the electorate, while the Labour Party were promising a referendum. Mr. Powell rightly (in the opinion of many) regarded it as an outrage that so unprecedented a constitutional change should be confirmed without the people's consent. Being a man of principle he took the only course open to him in the light of his own convictions and of the impropriety of Mr Heath's attitude in the matter.

It is the Conservative Party and the country that will suffer if the resentful pig-headedness of Conservative activists is allowed to prevail in its counsels.

Kenneth R. Middleton.
13, Dean Park Crescent, Edinburgh 4.

Today's Events

GENERAL

UK official reserves (August).

Capital issues and redemptions (August).

Annual conference of Trades Union Congress opens at Brighton Exhibition Centre (until September 8).

British Aluminium increases prices of aluminium ingot and related products by £25 a tonne.

International Air Show opens at Farnborough (until September 10).

British Association for the Advancement of Science Conference opens, Bath University (until September 8)

International Congress of Aerospace Medicine opens. Royal College of Surgeons, Lincoln's Inn Fields, London (until September 8).

National Farmers' Union report on future of fish farming.

Mr. John Silkin, Minister of Agriculture, opens annual congress of British Veterinary Association, University of Lancaster.

Mr. Matthew Nimetz, Counsellor of the US State Department, opens exploratory talks with Cypriot leaders on Cyprus territorial dispute, Nicosia.

Swatziland tenth anniversary celebrations.

Mr George Rallis, Greek Foreign Minister, in Moscow for talks (until September 11).

OFFICIAL STATISTICS

Public sector borrowing requirement and details of local authority borrowing (second quarter).

COMPANY RESULTS

Final dividends: Cantors. Esperanza Trade and Transport. Fitzwilton. West of England Trust. **Interim dividends:** Claverhouse Investment Trust. Electrical and Industrial Securities. Garner Scotblair. Metal Closures Group. Pittard Group. Revertex Chemicals. **Interim figures only:** Scottish Eastern Investment Trust.

COMPANY MEETINGS

See Week's Financial Diary on Page 22.

SPORT

Cricket: Announcement of England party to tour Australia, Lord's. New Zealand tour match at Scarborough. **Racing:** Hamilton and Nottingham.

CITY LUNCHTIME MUSIC

Piano recital by Gillian Spragg, St. Lawrence Jewry next Guildhall, 1 p.m.

EXHIBITIONS

Centenary Exhibition of Sir Gilbert Scott (1811-1878)—Architect of Gothic Revival, Print Room Galleries, Victoria and Albert Museum, South Kensington, London (until September 10.

Hayward Annual Exhibition with work by 23 contemporary British artists, South Bank, SE1 (until October 8).

COMPANY NEWS

PSIT valuation reveals near £20m surplus

PROPERTIES IN the UK held for investment by the Property Security Investment Trust including land stocks, have an open market value of £48.94m showing a surplus of £19.67m over book value of £29.27m, Mr. A. R. Perry, the chairman, reveals in the annual report.

Most of the group's overseas properties have been revalued in recent years for mortgage purposes and in the directors' opinion the remaining overseas properties at present included at cost have a value of some £1m in excess of that amount.

The valuation of the UK properties was carried out by Messrs. Healy and Baker who estimated that the rental value of *those properties is £3.87m per* annum against £2.15m received last year, although those estimates will only be achieved as present rents are reviewed and all completed developments let.

For the year ended March 31, 1978, rental income rose £230,000 to £3.18m while net property income increased £200,000 to £2.77m. The deficit arising from all activities before tax and *extraordinary items* was £77,000 (£594,000).

Scrip issues on the basis of one-for-two in ordinary and two cumulative preference shares for every 25 ordinary are also pro*posed and the directors are fore*casting an effectively maintained dividend total of 1.393p for the current year.

Since March 31, the new office block at Uxbridge has been let to *the* Grand Metropolitan group. Work has also started on six further industrial sites on the Trafford Park development at Manchester.

Further lettings were completed *during the year on* industrial sites at Newcastle and Goole and there are distinct signs of a general increase in industrial requirements, the chairman says.

Further sites have been acquired for development including two sites in central Aldershot and two sites at Fleet.

A resolution is to be put to the annual meeting that remuneration to directors be raised from £1,500 *a year to £3,000 for each director* from April 1 this year.

At August 1, Harper Investments held 18.5 per cent of the capital and Brown Shipley, 10.19 per cent. Meeting, Great Eastern Hotel, E.C., September 22 at 12.15 p.m.

Further expansion of Belgian interests by Watney

BY KENNETH GOODING

WATNEY, the Grand Metropolitan group subsidiary, is expanding its interests in Belgium where it is already the third-largest brewing business.

Through its Belgian offshoot Brouwerij Maes, it has bought 80 per cent of Brasseries-Malteries *L'Union for about £2m.*

Union is quoted on the Belgian bourse and an offer will shortly be made for the outstanding 20 per cent. This suggests a final price of around £2.5m for Union.

Watney has been operating in Belgium since the early 1960s and there have been considerable past problems. But a major management reorganisation in recent *years has resulted in greatly* improved profits.

Maes Pils, the brand of Watney's brewery in Belgium, achieved sales of more than 1m hectolitres for the first time in 1977 and is *particularly strong in the super*markets — the fastest-growing retail sector for beer.

By the end of last year additional brewing capacity was required and the acquisition of Union would seem to solve this problem.

A Watney statement yesterday said it planned "some rationalisation of production and distribution with the existing Maes brewery."

There is also a strong property element in the acquisition as Union owns 51 freehold properties in the Charleroi-Mons area.

Upward trend continues at Marling

THE UPWARD trend at Marling Industries is continuing and indi*cations are that turnover for the* current year will approach £17m, compared with last year's £14.3m.

Mr. Louis Courts, the chairman, says in his annual statement that the group has shown the benefits of the updating of its industrial textile products range and the gearing of it for use in engineering components.

The modernisation of equipment is now yielding substantially increased production per square foot. The group also hopes to have computerised most of its routine administration work by the end of 1978, and a second phase of capacity expansion costing some £0.5m should be completed in 18 months.

In Holland, both subsidiaries are expected to show greatly improved results in the current year. Both its Ancra International companies continue to make good progress and the long-term potential is well established, he says.

The rapid growth of its Mulox intermediate bulk container product line continues with sales many times greater than in the previous year. The group has concluded licences for overseas manufacture, and Marling looks forward to useful royalty income in the future.

The narrow fabrics businesses, after bearing the cost of removals and reinstallation, have started the current year well, and its webbing and sling companies are now working to full capacity.

Overall the group faces the future with confidence.

As previously reported pre-tax profit last year came to £0.87m, compared with £0.42m previously. At *the March 31, 1978, balance* date fixed assets were £2.95m (£2.67m) and net current assets £2.59m (£1.88m).

At the AGM it is proposed that the maximum on directors' numbers be abolished and that the minimum be reduced from three to two. Also the group intends to change its borrowing powers to twice the aggregate of nominal and issued capital plus reserves. The current limit is a sum equal to the issued capital. Under the new conditions the limit would be £6.18m. Current group borrowings are £2.38m. and the parent company borrowing limit is £1.01m.

Meeting, Cardington Street, WC, September 13 at noon.

Deborah moves ahead 39% to top £1m

With turnover some 35 per *cent higher at £9.06m, pre-tax* profits of Deborah Services advanced 39 per cent from £0.75 to £1.04m in the year to March 31, 1978.

Stated earnings per 5p share *moved ahead from 12.4p to 16.1p* and the dividend total is effectively lifted from 3.38p to 3.7345p with a final payment of 2.4145p net.

The scaffolding contracting division achieved a substantial increase with turnover up 41 per cent to £5.4m and pre-tax profits rising by 170 per cent to £536,118. The results reflect the increased contributions from all the constituent depots and 11 months' operations of the Shetland company, says Mr. A. L. Britton, chairman.

The insulation division again showed good progress with turnover and profits up 17 per cent to £470,532.

Mr. Britton says prospects for the current year are extremely favourable. No further acquisitions are contemplated and it is the intention of the Board to concentrate on the spread of activities now encompassed by the group.

	1977-78	1976-77
	£	£
Turnover	9,061,882	6,722,560
Trading profit	2,229,204	1,629,629
Interest payable	203,920	175,713
Directors emoluments	108,764	72,099
Depreciation	979,737	687,585
Profit before tax	1,036,283	746,423
Tax	391,431	416,140
Profit after tax	444,852	330,283
Group adjustments	12,618	—
Available	432,234	330,283
Dividends	74,668	53,011
Retained	357,566	277,272

It is anticipated that the fluidised bed and coatings division formed during the year will make a useful contribution to the 1978-79 profits and this, coupled with the expansion of the Shetland-based company, should ensure that the company continues to expand, he adds.

The company, whose shares are traded on the market made by M. J. H. Nightingale, provides a specialist scaffolding and insulation service primarily used in process plant maintenance programmes.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Claverhouse Investment Trust, Electrical and Industrial Securities, Garnar Scotblair, Metal Closures, Pittard Group, Revertex Chemicals.

Finals—Cantors, Esperanza Trade and Transport, Fitzwilton, West of England Trust.

FUTURE DATES

Interims—	
Collins (William)	Sept. 7
Family Investment Trust	*Sept. 5*
Highgate Optical and Industrial	Sept. 11
Jourdan (Thos.)	Sept. 14
L. K. Industrial Investments	Sept. 6
London and European	Sept. 7
Morris and Blakey Wallpapers	Sept. 5
Reckitt and Colman	Sept. 12
Sharna Ware	Sept. 7
Travis and Arnold	Sept. 6
Whittingham (William)	Sept. 5
Wilkes (James)	Sept. 14
Winn Industries	Sept. 21
Finals—	
British Electric Traction	Sept. 7
Harisons Malaysian Estates	Sept. 11

George Armitage leaps to £613,000 at halftime

WITH DELIVERIES of engineering and facing bricks 50 per cent higher in the June 30, 1978, six months taxable profit of George Armitage and Sons jumped from £179,000 to £613,000. Turnover advanced £1.03m to £2.74m.

Mr. Geoffrey F. Armitage, the chairman, says the increase in deliveries compared with a national increase of 11 per cent, and resulted in a reduction of three weeks in brick stocks against the eight-week increase last time. At June 30 stocks where, however, at 12 weeks, a relatively high level.

Subject to the construction industry not being adversely affected by general economic uncertainties he expects second half profits to be similar to those of the first six months. For all last year a £699,000 profit was achieved.

After tax of £323,000 (£96,000), net profit was £290,000 (£83,000) and after preference dividends of £33,000 (£5,000) available profit came out at £257,000 (£82,000). Last year there was a £4,000 extraordinary profit.

Earnings per 25p share are shown at 16.77p (5.08p) and the interim dividend is stepped up from 0.9p to 0.99p net, and an additional 0.015928p is to be paid for 1977 following the tax change. The interim dividend absorbs £15,000 (£14,000) and last year total dividends took £30,000.

Mr. Armitage says the group's financial position has been strengthened by clearing its indebtedness to bankers. Funds are being invested on a short to medium-term basis so that the group can take advantage of any investment opportunities.

Jardine's UK insurance reorganised

The reorganisation of Jardine Matheson and Co's insurance broking interests in the U.K. has now been completed.

Jardine Matheson Insurance Brokers, a wholly-owned subsidiary of Matheson and Co., is to become the principal trading company for a group of specialist insurance and reinsurance broking subsidiaries.

These include three Lloyd's brokers, Thompson Graham and Co. Jardine d'Ambrumenil International, and Jardine Matheson Insurance Brokers (U.K.). Other subsidiaries include Jardine Matheson Life and Pension Brokers and Jardine Matheson Underwriting Agencies.

As part of the reorganisation, the capital of Jardine Matheson Insurance Brokers is to be increased to £2.5m and shareholders' funds will be approximately £5m.

APPOINTMENTS

BP Chemicals co-ordinator

Dr. J. C. Dunbar, formerly data processing superintendent at BP CHEMICALS Grangemouth factory, has been appointed administrative co-ordinator there, replacing Dr. G. H. Thomson who is to retire.

★

Mr. Terence A. Moody has been appointed an associate director of ROWBOTHAM (REINSURANCE).

★

Mott Hay and Anderson states that the group structural practice has been renamed MOTT HAY AND ANDERSON STRUCTURAL AND INDUSTRIAL CONSULTANTS (previously John Connell/Mott Hay) following the retirement of the Australian directors Mr. John Connell and Mr. John Peyton. Mr. David E. Palmer and Mr. J. E. David Lord have joined the Board of the continuing practice.

★

Mr. Ian A. Horwood has resigned from the Board of LONDON AND MIDLAND INDUSTRIALS and has taken up residence in Canada.

★

Mr. Alan J. Wood has been appointed managing director of SMALL ELECTRIC MOTORS.

★

Mr. Stuart Davies has been appointed a director of TAPE PROJECTS.

★

Mr. Tom Sponton has been appointed to the newly-created position of pensions manager, within the SCHRODER LIFE GROUP organisation.

★

Mr. I. H. N. Mackay has been appointed group chief accountant of the FRIZZELL GROUP.

★

Mr. A. R. Dickson Roberts has been appointed chairman of DEREK CROUCH (SCOTLAND) replacing Mr. Archibald Paterson, who has retired.

★

Mr. F. E. Heath has become marketing director of ACROW (ENGINEERS) and Mr. R. Parkin is to be general sales manager.

★

Mr. Bill Walker, who is to retire as managing director of EASTFIELD PHOTO-LITHO COMPANY in July next year, is to become vice-chairman of the company concentrating on sales development. Mr. John Hardingham, sales director, will take over as managing director. The parent concern is British Printing Corporation.

★

Mr. David L. Lang and Mr. Martin G. Smith have been elected to the Board as executive directors of CITICORP INTERNATIONAL BANK, the London-based merchant banking subsidiary of Citicorp. Mr. Lang is responsible for worldwide dealing and distribution in the international securities department. Mr. Smith heads the bank's corporate finance department.

★

WILLIAM E. FARRER, a subsidiary company of the Moss Engineering Group, has appointed Mr. Dennis H. Doidge as managing director in succession to Mr. *George E. Townsend who remains* on the Board as a consultant. Mr. Doidge has been with the company since 1950 and was appointed works director in 1968 when it joined the Moss Engineering Group.

★

Mr. R. J. Hall has been appointed managing director of CYANAMID OF GREAT BRITAIN. He succeeds Mr. R. H. Henel, who has become vice-president, medical, for the Americas, Far East Division of American Cyanamid Company.

★

Viscount of Arbuthnott has been appointed a director of SCOTTISH WIDOWS' FUND AND LIFE ASSURANCE SOCIETY.

★

Mr. M. J. Childs, Mr. R. Gay and Mr. J. B. Hembry have been appointed directors of MAPLE AND COMPANY (HOLDINGS).

★

Mr. J. G. S. Gammell has been elected a new board member and Mr. Cecil A. Wooten as chairman of the Board of OCEANEERING INTERNATIONAL INC. Mr. Gammell, is chairman of Ivory and Sime, in Edinburgh. Mr. Wooten, who is a senior vice president and a director of Chicago Bridge and Iron Company, Illinois, has been on the Board of Oceaneering since 1974.

★

Mr. Keith Adamson, manager of the Hyde Park Corner branch of BARCLAY'S BANK, has been appointed an executive local director of the bank's Guildford District. Mr. A. T. Ashdown, an *assistant* director of Barclays Merchant Bank, has become an executive local director of the Penzance District from September 4.

★

Mr. Peter Hall has been appointed secretary of H. P. BULMER HOLDINGS. He joins the company from Mears Bros. Holdings.

★

Mr. David Pearson has been appointed comercial director of PRODUCTION STEEL SUPPLIES and from September 4 Mr. Graham Rose will join the Board *as sales director.*

Guidance about adapting homes for disabled

THE GOVERNMENT has issued or circular to dispel the confusion which can arise from housing and social services authorities having overlapping powers to adapt the homes of physically handicapped people.

It asks all housing authorities to accept responsibility for structural modifications to dwellings owned or managed by them. Res*ponsibility for non-structural* features, and the provision of aids and equipment, should continueto rest with social services authorities or, as appropriate, area health authorities.

The circular gives examples of features which may be regarded as becoming part of the structure of the dwelling and therefore admissible for housing *subsidy. They include exten*sions or alterations to provide a bathroom, WC or bedroom with level or ramped access, replacement of steps with ramps, widening or rehanging doors, alteration to electrical and heating systems, alterations to bathroom and WC fixtures.

Number of road accidents rises

DEPARTMENT of Transport provisional figures just issued show that the total number of road casualties in the second quarter of 1978 rose by 2 per cent compared with the same period in 1977.

BMA warns against information 'bank'

FINANCIAL TIMES REPORTER

THE BRITISH Medical Association has appealed to MPs and prospective Parliamentary candidates to reconsider a proposed Government *computer scheme* for storing confidential health information.

If the National Health Service automatic data processing scheme goes ahead *in 18 months'* time, the BMA warns that an accurate diagnosis will become almost impossible.

Patients, afraid their "secrets" could become public if recorded on NHS computers, would withhold vital information, it says.

This would lead to costly examinations, and ultimately would be counter-productive, Dr. John Dawson, BMA assistant secretary, said yesterday.

In a letter to MPs, Dr. Dawson, on behalf of the association's ethical committee, said "identifiable information should only be used for purposes other than continuing clinical care with the patient's informed consent."

He said that the new computer system would give health administrators access to large quantities of personal information.

Unless legislation was introduced to safeguard patients' confidential information "we and our children will be available for print-out by 1980," he warned.

Seminars for youth schemes

AN EFFORT to tell small Lancashire companies of youth employment schemes available through the Manpower Services Commission will get under way shortly with the first of a series of seminars.

Organised by the North West Industrial Development Association, the seminars will inform employers of work experience, training workshops, short industrial courses and many other employment schemes.

Nuclear power plant protest

THE CAMPAIGN for Nuclear Disarmament has launched a protest against Chapelcross nuclear power plant, Dumfries, Scotland. The campaign began *with mass leafleting of the towns* of Annan and Dumfries.

The leaflet says that the Chapelcross plant will manufacture Tritium for use in British nuclear warheads if the contract awarded to British Nuclear Fuels by the Defence Ministry goes ahead. This would be "a setback to hopes of halting the nuclear arms race," it adds.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Brown (John) 4, The Sanctuary, Westminster S.W. 12.
Lynton 1-2 Mason's Arms Mews W. 12
Wigfall (H.) Royal Victoria Hotel, Sheffield. 12

BOARD MEETINGS—
Finals:
Cantors
Esperanza Trade & Transport
Fitzwilton
West of England Trust
Interims:
Claverhouse Inv. Trust
Electrical & Ind. Secs.
Metal Closures
Pittard
Revertex Chemicals

DIVIDEND & INTEREST PAYMENTS—
Associated British Foods 1.5226p
Dewhurst & Partners A 0.275p
Drake & Scull 1p
Fenner (J. H.) 3p
Idris Hydraulic Tin 2p
Lynton 1.20p
M & G Dual Trust Inc. 6p
MacDonald Martin Distlrs A 6.3p B 3.15p
Macpherson (Donald) 1.25p
NMC Invs. 1.43p
Union Discount of London 6.375p

TOMORROW

COMPANY MEETINGS—
Celestion Ind. Brown's Hotel W. 12
Jones (Edward) (Contractors), Plas Celyn Bangor Road, Penmaenmawr 12.
Montague L. Meyer, Charing Cross Hotel, W.C. 12
Wheeler's Restaurants 17 High St. Kensington, W. 10.30
Wrighton (F.) Brampton Works, Billet Road, E. 12

BOARD MEETINGS—
Finals:
Copson (F.)
Decca
Diploma Invs.
Savills (J.) Gordon
Zetters
Interims:
Blackwood Hodge
BICC
Family Inv. Trust
Horizon Midlands
Le Bois (Edward)
Morris & Blakey Wallpapers
Nurdin & Peacock
Ofrex
Provident Financial
Trade Indemnity
Whittingham (Wm.)

DIVIDEND & INTEREST PAYMENTS—
Alcan Aluminium 35cts
Collins (G. and W.) Deb. 4½pc
Dentsply Intnl. 20cts
Gestetner A 2.125p
Gillette 40cts
Hutten (E. F.) 17cts
Rexmore 3p
Rexnord Inc. 22cts

BOARD MEETINGS—
Finals:
Assam Invs.
British Electric Trac.
Interims:
Abbey Panels
British Petroleum
Cadbury Schweppes
Dutton-Forshaw
Collins (Wm.)
Costain (Richard)
Friedland Doggart
Gibbons Dudley
Imperial Chemical Inds.
London & European
Sharna Ware
Sharpe & Fisher
Woodward (H.)

DIVIDEND & INTEREST PAYMENTS—
BLMC Ln. 3, 3¼, 4pc
Barclays Bank Intl. Ln. 3½pc
Birmingham Mint 3.36p
Bluemel Bros. 1.85p
Cawoods 2.83829p
Daejan 1.8425p
Dunlop Deb 3½pc
Ealing 10¼pcBds.Red. 3 9 80 5⅛pc
East Daggafontein Mines 25cts
East Devon 9⅝pcBds.Red. 5 9 79 4¹¹⁄₁₆pc
Great Yarmouth 9⅝pcBds.Red. 5 9 79 4¹¹⁄₁₆pc
Hampton Gold Mining Areas 1.6214p
Harrow 9⅝pc Bds.Red. 5 9 79 4¹¹⁄₁₆pc
Highams Deb. 3½pc
Hounslow 10¼pcBds.Red. 3 9 80 5⅛pc
Initial Services 3.32467p
Intnl. Inv. Tst. 4½pcPf. 1.575pc
Kinta Kellas Rubber Estates 2.5p
Russell (Alexander) 0.303p
Sainsbury (J.) Deb 3½pc
Thanet 9⅝pcBds.Red. 5 9 79 4¹¹⁄₁₆pc
Vaal Reefs Exploration Mining 100cts
Vereeniging Refractories 12cts
Wellman Engineering 1.246p
Western Deep Levels 65cts
Wirral 9⅝pcBds.Red. 5/9/79 4¹¹⁄₁₆pc
Wood (S. W.) 2.7858p

FRIDAY, SEPTEMBER 8

COMPANY MEETINGS—
General Electric, Inst. of Electrical Engineering W.C., 12
Hollas, Ashley Road, Hale, Altrincham, Cheshire. 11
Inchcape, Queens Room, Baltic Exchange Chambers, 14-20 St. Mary Axe E.C., 12
S. & U. Stores, Birmingham Chamber of Comm. & Ind., 75 Harborne Road, Birmingham 3.30
Thorn Electrical Inds., Dorchester Hotel, W. 12

BOARD MEETINGS
Finals:
Cray Electronics
Interims:
Brittains
Shakespeare (Joseph)

DIVIDEND & INTEREST PAYMENTS—
Allen (Edgar) Balfour 3.13p
Allnatt London Props. 3.3p
Barnsley 5¼pcBds.Red. 14 3.79 4¹¹⁄₁₆pc
Blackburn Var.RateBds.Red. 2.3.83

...

General Motors 100cts
Intnl. Business Machines 388cts
South Kesteven 12½pcBds.Red. 7/3 79 6¼pc
Travelers 42cts
Treasury 11½pc 1979 5¾pc
Warner-Lambert 30cts
Yeovil 12½pcBds.Red. 7.3.79 6¼pc

SUNDAY, SEPTEMBER 10

DIVIDEND & INTEREST PAYMENTS—
Agricultural 6¾pcDeb. 1985-90 3⅜pc. 7¼pcDeb. 1981-84 3⅝pc. 9¼pcDb. 1980-85 4⅝pc
Newcastle upon Tyne 9½pcCons.Red. 1978-1980 4¾pc
Treasury 5½pc 2008-12 2¾pc

PUBLIC NOTICES

SOUTH EASTERN ELECTRICITY BOARD
NEW ECONOMY SEVEN TARIFFS

The Board hereby gives notice (pursuant to Section 37 of the Electricity Act 1947 as amended by Section 14 of the Electricity Act 1957) that it has fixed the following new tariffs:—

1. Domestic White Meter Economy Seven Tariff.
2. Tariffs Five-Forty Night and Day Economy Seven Tariffs.

The new tariffs replace the.—

Domestic White Meter Economy Six Tariff.

Tariffs Five-Forty Night and Day Economy Six Tariffs and take effect on 1st October, 1978.

Consumers who on 30th September, 1978 are taking supply from Seeboard on the Domestic White Meter Economy Six Tariff or Tariffs Five-Forty Night and Day Economy Six Tariffs will be charged at the appropriate new tariff from the first normal meter reading date after 30th September, 1978.

An individual notice will be sent to these consumers concerning the arrangement for transfer to the new tariffs.

Copies of the new tariffs are available in all Seeboard shops and offices.

D. A. GREEN,
Secretary.

Queen's Gardens,
Hove, East Sussex
BN3 2LS
September 1978

SEEBOARD
SOUTH EASTERN ELECTRICITY

COMPANY NOTICES

GRESHAM INDUSTRIES LIMITED
(Incorporated in the Republic of South Africa)

DECLARATION OF FINAL ORDINARY DIVIDEND No. 39

NOTICE IS HEREBY GIVEN that a final dividend of 12 (twelve) cents per share, making a total of 20 (twenty) cents per share for the year ended 30th June 1978, has been declared by the Board of Directors payable on the 17th November 1978, to ordinary shareholders registered in the books of the company at the close of business on the 20th October 1978.

...

TENDERS FOR GREATER LONDON BILLS

1. The Greater London Council hereby give notice that Tenders will be received at the Chief Accountant's Office (Bank Buildings), Bank of England, London, EC2R 8EU, on Monday, 11th September at 12 noon for Greater London Bills to be issued in conformity with the Greater London Council (General Powers) Act 1967, to the amount of £25,000,000.

2. The Bills will be in amounts of £5,000, £10,000, £25,000, £50,000, £100,000 or £250,000. They will be dated Thursday, 14th September, 1978, and will be due 91 days after date, without ...

...

JUGOBANKA

US$20,000,000 FLOATING RATE NOTES DUE 1983

...

The Chase Manhattan Bank, N.A., London, As Fiscal Agent.
September 3rd, 1978.

NICHII CO. LTD.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS ("EDRs")

...

THE CHASE MANHATTAN BANK, N.A., London. As Depositary.

HEPWORTH CERAMIC HOLDINGS LIMITED

NOTICE IS HEREBY GIVEN that the Transfer Books for the 10.4 per cent Debenture Stock 1992/97 of the above-named Company will be closed from the 15th September to 18th September, 1978 inclusive, for the preparation of Interest Warrants.

J. BIRTWHISTLE, Secretary.

Genefax House,
Sheffield S10 3FJ.

CLUBS

MOTOR CARS

CONTRACTS AND TENDERS

Prequalification for management companies and/or agencies

All potential Management Companies are herewith kindly invited to submit their Prequalification Documents to the Chairman of the Board of Directors of

"Lake Katwe Salt Company Ltd."
Subsidiary of Uganda Development Corporation Ltd.

Short Description of Project

Location
The Factory is located in the Toro District (South-West-Uganda) in between Lake Idi Amin Dada and the Ruwenzori Mountains; four hundred kilometres *from Kampala.*

Production
The Plant is built for processing of brine from a nearby salt lake to produce:
- 45 000 t/a Sodium Chloride
- 8.000 t/a Potassium Chloride
- 700 t/a Sulphur

Process
- 3-stage vacuum evaporation for the crystallization of a mixture of Sodium Chloride and Burkeite.
- Separation of Sodium Chloride and Burkeite by Hydrocyclones.
- Centrifuging, Drying and Packing of Sodium Chloride.
- 3-stage vacuum evaporation for the crystallization of Potassium Chloride with subsequent Centrifuging, Drying and Packing.
- Hydrogensulfide containing waste gases are decontaminated in a Claus-Plant.

Short Description of Required Management

Required Staff
- 1 General Manager
- 1 Production Manager (Process Engineer)
- 1 Chief Chemist (Analyst)
- *1 Chief Engineer (Mechanical Engineer)*
- 5 Shift Superintendents for Production

3 Chemical Engineers
1 Electrical Engineer
1 Mechanical Engineer

Local Staff
Approximately 300 local Staff-Members part to be trained.

Start of Management
Approximately November 1st, 1978.

Duration of Contract
Initially 3 years.

For further details contact the Managing Director, Uganda Development Corporation Ltd., P.O. Box 442, Telex 61063, KAMPALA/Uganda

and/or our Consultants ... Telex 4 154 532

IRAN

ABADAN PETROCHEMICAL CO.

Abadan Petrochemical Co. is interested in the purchase of 15.000 tons of grade 60, 65 and 70 PVC resin suspension type monthly from 15th Nov., 1978, to 15th April, 1979, a total of 90.000 MT in six months' closing date for offer is Sept. 23rd, 1978.

For further information and terms of tender please contact our main office at the following address:

P.O. Box 2925
Tehran, Iran
Telex: 212340 APCO IRAN

SYRIAN ARAB REPUBLIC
CALL FOR TENDER
No. 2356

The Ministry of Petroleum & Mineral Resources is calling the International Consulting Companies for petroleum refining and its economics to submit offers for the following scope of work:

1. Analytical study for the current situation of the two refineries Homs refinery and Banias refinery ...

...

Minister for petroleum affairs in the Ministry of Petroleum and Mineral Resources

The following conditions must be taken into consideration:

1. Preliminary insurance 5% (five per cent) of the total value of the offer.
2. Final insurance 10% (ten per cent) of the total value of the contract.
3. Time completion of the study will be taken into consideration ...

...

FERTILIZANTES MEXICANOS S.A.
(FERTIMEX)
INVITATION FOR REGISTRATION TO BID FOR MANUFACTURE OF EQUIPMENT OF FERTILIZER WORKS

...

هكذا من الأصل

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Brown (John), 4, The Sanctuary, Westminster, S.W., 12
Lynton, 1-2 Mason's Arms Mews, W., 12
Wigfall (H.), Royal Victoria Hotel, Sheffield, 12

BOARD MEETINGS—
Finals:
Cantors
Esperanza Trade & Transport
Fitzwilton
West of England Trust
Interims:
Claverhouse Inv. Trust
Electrical & Ind. Secs.

BOARD MEETINGS—
Finals:
Assam Invs.
British Electric Trac.
Interims:
Abbey Panels
British Petroleum
Cadbury Schweppes
Dutton-Forshaw
Collins (Wm.)
Costain (Richard)
Friedland Doggart
Gibbons Dudley
Imperial Chemical Inds
London & European
Sharpe Ware
Sharpe & Fisher
Woodward (H.)

[illegible]

SUNDAY, SEPTEMBER 10

DIVIDEND & INTEREST PAYMENTS—
Dumfries and Galloway 12½pcBds. Red. 7.3.79 6¼pc
General Motors 100cts
Intnl. Business Machines 388cts
South Kesteven 12½pcBds.Red. 7/3/79 6¼pc
Travelers 42cts
Treasury 11½pc 1979 5¾pc
Warner-Lambert 30cts
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SUNDAY, SEPTEMBER 10
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Newcastle upon Tyne 9¼pcCons.Red. 1978-1980 4⅝pc
Treasury 5½pc 200-12 2¾pc

PUBLIC NOTICES

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2. Tariffs Five-Forty Night and Day Economy Seven Tariffs.

The new tariffs replace the:—

Domestic White Meter Economy Six Tariff,
Tariffs Five-Forty Night and Day Economy Six Tariffs

and take effect on 1st October, 1978.

Consumers who on 30th September, 1978 are taking supply from Seeboard on the Domestic White Meter Economy Six Tariff or Tariffs Five-Forty Night and Day Economy Six Tariffs will be charged at the appropriate new tariff from the first normal meter reading date after 30th September, 1978.

An individual notice will be sent to these consumers concerning the arrangement for transfer to the new tariffs.

Copies of the new tariffs are available in all Seeboard shops and offices.

D. A. GREEN,
Secretary.

Queen's Gardens
Hove, East Sussex
BN3 2LS
September 1978

SEEBOARD
SOUTH EASTERN ELECTRICITY

COMPANY NOTICES

GRESHAM INDUSTRIES LIMITED
(Incorporated in the Republic of South Africa)

DECLARATION OF FINAL ORDINARY DIVIDEND No. 39

NOTICE IS HEREBY GIVEN that a final dividend of 12 (twelve) cents per share, making a total of 20 (twenty) cents per share, for the year ended 30th June 1978 has been declared by the Board of Directors payable on the 17th November 1978, to ordinary shareholders registered in the books of the company at the close of business on the 20th October 1978.

The dividend is declared in South African currency and dividends payable from the London office will be paid in United Kingdom currency calculated at the rate of exchange ruling between rand and sterling on the 3rd November 1978.

Dividend cheques despatched from the London office to persons resident in Great Britain or Northern Ireland will be subject to a deduction of United Kingdom income tax at rates to be arrived at after allowing for relief (if any) in respect of South African taxes.

The company will, where applicable, deduct the non-resident shareholders' tax of 15 per cent from dividends payable.

For the purpose of paying the above dividend the Ordinary Register of Members will be closed from the 21st October 1978 to the 3rd November 1978, both days inclusive.

Dividend cheques will be posted on or after the 17th November 1978.

By Order of the Board.
I. B. MEHL, Secretary.

Registered and Transfer Office
220 Commissioner Street,
Johannesburg.

London Transfer Office:
Granby Registration Services,
Granby House,
95 Southwark Street,
London SE1 0JA.

TENDERS FOR GREATER LONDON BILLS

1. The Greater London Council give notice that Tenders will be received at the Chief Accountant's Office (Buildings), Bank of England, London EC2R 8EU, on Monday, 11th September at 12 noon for Greater London Bills to be issued in conformity with the Greater London Council (General Powers) 1967, to the amount of [illegible]

[illegible]

The County Hall
London, SE1 7PB
4th September, 1978.

NICHII CO. LTD.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS EVIDENCING SHARES OF COMMON STOCK OF THE ABOVE-NAMED COMPANY

[illegible]

THE CHASE MANHATTAN BANK, N.A., As Depositary

JUGOBANKA

US$20,000,000 FLOATING RATE NOTES DUE 1983

In accordance with Condition 5 (c) of the notes, Notice is hereby given that pursuant to the terms of the Purchase Agency Agreement between Loeb Rhoades Hornblower International Limited (the "Purchase Agent") and Jugobanka (the "Bank") US$450,000 nominal amount of the Notes has been purchased during the 12 months ending August 1st, 1978 and cancelled. Arrangements have also been made by the "Bank" for the purchase and subsequent cancellation of an additional $1,490,000 nominal amount of the Notes.

THE CHASE MANHATTAN BANK, N.A., London
As Fiscal Agent.

September 3rd, 1978.

HEPWORTH CERAMIC HOLDINGS LIMITED

NOTICE IS HEREBY GIVEN that the Transfer Books for the 10.4 per cent Debenture Stock 1992/97 of the above named Company will be closed from the 15th September to 18th September, 1978 inclusive, for the preparation of Interest Warrants.

J. BIRTWHISTLE, Secretary

Genefax House,
Sheffield S10 3FJ.

CLUBS

MOTOR CARS

CONTRACTS AND TENDERS

Prequalification for management companies and/or agencies

All potential Management Companies are herewith kindly invited to submit their Prequalification Documents to the Chairman of the Board of Directors of

"Lake Katwe Salt Company Ltd."

Subsidiary of Uganda Development Corporation Ltd.

Short Description of Project

Location
The Factory is located in the Toro District (South-West-Uganda) in between Lake Idi Amin Dada and the Ruwenzori Mountains; four hundred kilometres from Kampala.

Production
The Plant is built for processing of brine from a nearby salt lake to produce:
- 45.000 t/a Sodium Chloride
- 8.000 t/a Potassium Chloride
- 700 t/a Sulphur

Process
- 3-stage vacuum evaporation for the crystallization of a mixture of Sodium Chloride and Burkeite.
- Separation of Sodium Chloride and Burkeite by Hydrocyclones.
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- Hydrogensulfide containing waste gases are decontaminated in a Claus-Plant.

Short Description of Required Management

Required Staff
- 1 General Manager
- 1 Production Manager (Process Engineer)
- 1 Chief Chemist (Analyst)
- 1 Chief Engineer (Mechanical Engineer)
- 5 Shift Superintendents for Production
  - 3 Chemical Engineers
  - 1 Electrical Engineer
  - 1 Mechanical Engineer

Local Staff
Approximately 300 local Staff-Members part to be trained.

Start of Management
Approximately November 1st, 1978.

Duration of Contract
Initially 3 years.

For further details contact the
Managing Director
Uganda Development Corporation Ltd.
P.O. Box 442
Telex 61053
KAMPALA/Uganda

and/or our Consultants
Deutsche Beratungsgesellschaft für Salinentechnik mbH
P.O. Box 1060
6451 Mainhausen, West Germany
Telex 4 184 532

IRAN
ABADAN PETROCHEMICAL CO.

Abadan Petrochemical Co. is interested in the purchase of 15.000 tons of grade 60, 65 and 70 PVC resin suspension type monthly from 15th Nov., 1978, to 15th April, 1979, a total of 90.000 MT in six months' closing date for offer is Sept. 23rd, 1978.

For further information and terms of tender please contact our main office at the following address:

P.O. Box 2925
Tehran, Iran
Telex: 212340 APCO IRAN

SYRIAN ARAB REPUBLIC
CALL FOR TENDER
No. 2056

The Ministry of Petroleum & Mineral Resources is calling the International Consulting Companies for petroleum refining and its economics to submit offers for the following scope of work:

1. Analytical study for the current situation of the two refineries Homs refinery and Banias refinery [illegible]
2. Suggesting ways for improving the economy of each refinery [illegible]
3. Based on the above, bidders are asked to submit [illegible]

[illegible]

Minister for petroleum affairs in the Ministry of Petroleum and Mineral Resources.

The following conditions must be taken into consideration:

1. Preliminary insurance 5% (five per cent of the total value of the offer)
2. Final insurance 10% (ten per cent of the total value of the contract)
3. Time completion of the study will be taken into consideration and a penalty [illegible]

[illegible]

ISSA DARWISH
Minister of Petroleum and Mineral Resources.

FERTILIZANTES MEXICANOS S.A. (FERTIMEX)

INVITATION FOR REGISTRATION TO BID FOR MANUFACTURE OF EQUIPMENT OF FERTILIZER WORKS

[illegible]

FT Monthly Survey of Business Opinion

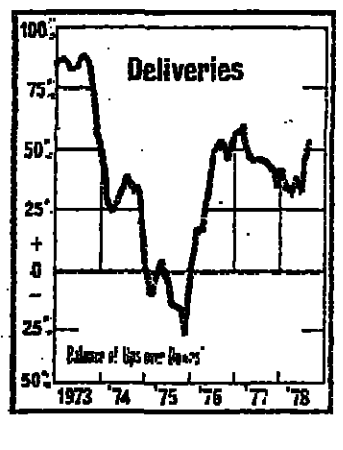
GENERAL OUTLOOK

Increase in optimism

BUSINESS CONFIDENCE grew last month over both the general industrial outlook and the prospects for the UK economy. The latest survey covered non-electrical engineering, brewers and distillers and paper and connected industries. Of these, most optimism was reported by engineering companies, who gave improved demand as the main reason for their change in attitude over the last four months.

Optimism over the UK economy as a whole increased among both the engineering and brewing and distilling sectors. *Some companies mentioned the possiblity of a general election as the reason for their greater confidence.*

While increased demand was a key factor in the rise in optimism there was little expectation of any improvement in the level of exports. The brewing and distilling sector believed it was more likely to increase exports over the next 12 months, but this was offset by an increased tendency on the part of the paper and connected industries sector to say that they would remain the same. Among the reasons pinpointed was the recent strength of *sterling in exchange markets.*



ORDERS AND OUTPUT

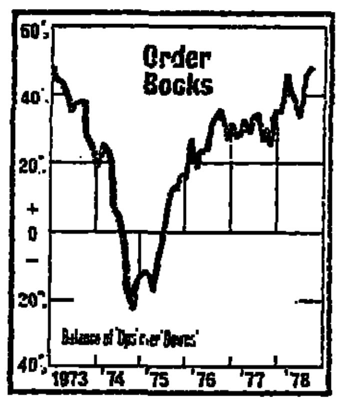
Clear signs of an upturn

THERE WAS quite a sharp rise in the index for new orders, reflecting reports from all three sectors that order levels were *improving.*

This increase was paralleled to a milder extent by rises in recent deliveries and in order books. Businessmen are now more confident of a rise in output in the next 12 months. The overall index for the median expected increase in output rose from 5.6 per cent to 6 per cent after the previous month's steep rise.

The new orders index had been showing little improvement in the previous two months, but in the latest period the balance of those seeing an increase over those with a fall rose from 27.5 per cent to 40 per cent.

The main gain in the overall level of order books was due to more favourable expectations in the engineering industry. Some of the improvement, it was thought, was due to purely seasonal factors. However, the index showed that nearly 50 per cent more businessmen now expect a rise in their order books than those expecting a fall, the highest this index has been for several years.



CAPACITY AND STOCKS

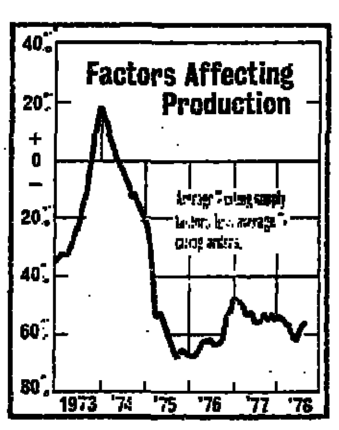
Nearer planned levels

THERE WAS a further slight improvement in the percentage of companies saying that they were working at planned output levels or above. The main reason for the improvement was a drop in the brewing and distilling and paper sectors in the number of companies working below capacity.

There was also a slight fall-off in the number of companies citing demand factors as the main constraint affecting production. On the supply side the main problems came from labour difficulties, including shortages of skilled staff and disputes. No companies reported shortages of raw materials or components.

There was a drop in the number of companies who felt their stocks were too high and the index showing the percentage balance of those whose stocks were felt to be too high over those where they were felt to be too low has fallen from 38 per cent to 10 per cent in the past two months.

The paper sector was more inclined to expect stocks of all types to increase over the next 12 months than it had been last April, while the brewing and distilling sector was less inclined to do so. The engineering companies were more inclined to expect the volume of work in progress and raw material and component stocks to increase.



CAPACITY WORKING

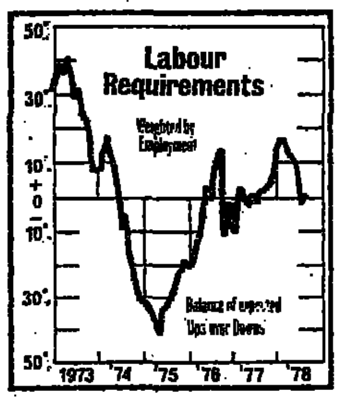
	4 monthly moving total				August 1978		
	May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	Eng'g. (non-elec.) %	Brews. & Distills. %	Paper %
Above target capacity	15	14	10	10	—	—	33
Planned output	57	56	53	54	69	72	52
Below target capacity	27	29	36	35	31	28	15
No answer	1	1	1	1	—	—	—

INVESTMENT AND LABOUR

Job prospects pick-up

THERE HAS been a slight increase in the number of companies expecting to increase their labour force during the next 12 months: as a result the indicator showing the balance of those projecting a rise rather than a fall in their number of employees is now just positive again, but it is not as strong as it was last winter. The engineering sector was more inclined than it has been when interview in April to project a rising labour force. There has been a slight increase in the number of companies mention*ing product demand but not* structure of labour supply factors as affecting their employment levels. But there continues to be more companies saying that their employment levels are affected by labour supply but not product demand.

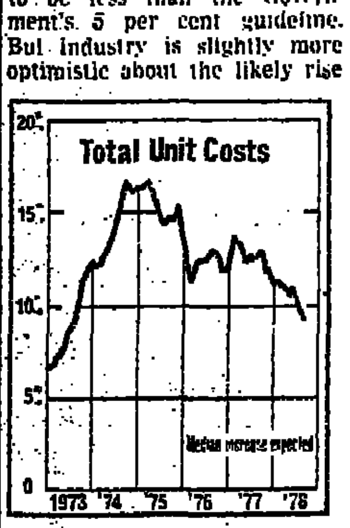
The outlook for capital investment remains bright as both the engineering and the brewing and distilling sectors were more inclined to say that they expected capital spending to rise than they were four months ago. So the index of expectations has shown a further rise. Both the engineering and the paper and connected industries sectors were more inclined to say their liquidity levels were too low than about right in relation to the trend in their capital requirements.



COSTS AND PROFIT MARGINS

Qualified optimism on wages

NONE OF the companies questioned last month expect wage rises in the next 12 months to be less than the Government's 5 per cent guideline. But industry is slightly more optimistic about the likely rise in earnings during the new pay round than at this stage last year. For example, the non-electrical engineering sector is now projecting median wage rises of 13.6 per cent in the next 12 months compared with increases of 15.5 per cent in August 1977, for brewing and distilling, the figures are 9.2 and 12 per cent respectively, while *for paper and connected industries,* the figures are 12.4 and 12.2 per cent.

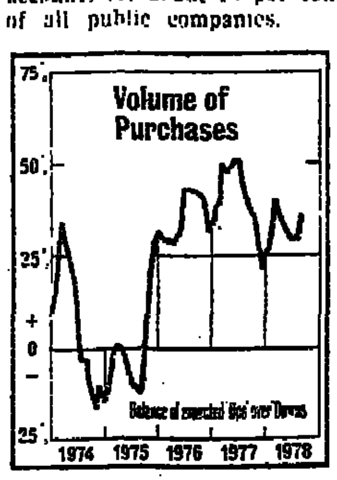


The four-month moving indices for both wages and unit costs have fallen; even though the engineering sector is expecting higher price rises than it was, the median projected rise over the next 12 months has edged down from 9.7 to 9.3 per cent.

All three sectors were more inclined to expect profit margins to increase during the next year than they had been when last questioned in April, and this index has risen quite sharply. This view was reflected in a rise in the index of expectations for earnings on capital employed.

These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, are based upon extensive interviews with top executives.

Three sectors and some 30 companies are covered in turn every month. They are drawn from a sample based upon the FT-Actuaries' Index, which *accounts for about 60 per cent* of all public companies.



The all-industry figures are four-monthly moving totals covering some 120 companies in 11 industrial sectors (mechanical engineering is surveyed every second month). *Complete tables can be purchased from Taylor Nelson and Associates.*

GENERAL BUSINESS SITUATION

Are you more or less optimistic about your company's prospects than you were four months ago?	4 monthly moving total: May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	August 1978: Eng'g. (non-elec.) %	Brews. & Distills. %	Paper %
More optimistic	45	44	37	30	38	55	37
Neutral	44	43	43	44	62	45	57
Less optimistic	8	10	20	26	—	—	6
No answer	3	3	—	—	—	—	—

EXPORT PROSPECTS (Weighted by exports)

Over the next 12 months exports will be:	4 monthly moving total: May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	August 1978: Eng'g. (non-elec.) %	Brews. & Distills. %	Paper %
Higher	73	72	76	69	80	100	41
Same	14	14	14	16	20	—	59
Lower	13	14	9	12	—	—	—
Don't know	—	—	1	3	—	—	—

NEW ORDERS

The trend of new orders in the last 4 months is:	4 monthly moving total: May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	August 1978: Eng'g. (non-elec.) %	Brews. & Distills. %	Paper %
Up	49	41	44	44	33	78	91
Same	30	28	27	32	58	22	9
Down	9	13	13	14	9	—	—
No answer	12	18	16	10	—	—	—

PRODUCTION/SALES TURNOVER

Those expecting production/sales turnover in the next 12 months to:	4 monthly moving total: May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	August 1978: Eng'g. (non-elec.) %	Brews. & Distills. %	Paper %
Rise over 20%	2	1	3	3	9	—	—
Rise 15-19%	5	5	1	1	—	—	—
Rise 10-14%	13	16	12	9	21	—	6
Rise 5-9%	32	29	26	32	66	56	18
About the same	39	43	49	45	—	28	46
Fall 5-9%	—	1	3	3	—	—	—
No comment	9	5	6	7	4	16	30

STOCKS

	4 monthly moving total: May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	August 1978: Eng'g. (non-elec.) %	Brews. & Distills. %	Paper %
Raw materials and components over the next 12 months will:							
Increase	40	37	34	30	48	5	55
Stay about the same	40	43	45	47	23	90	22
Decrease	10	13	17	19	11	—	3
No comments	10	7	4	4	18	5	20
Manufactured goods over the next 12 months will:							
Increase	40	36	31	28	19	17	70
Stay about the same	38	40	40	37	8	78	26
Decrease	4	2	10	10	18	5	—
No comments	18	22	19	25	55	—	4

FACTORS CURRENTLY AFFECTING PRODUCTION

	4 monthly moving total: May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	August 1978: Eng'g. (non-elec.) %	Brews. & Distills. %	Paper %
Home orders	82	83	86	86	77	78	88
Export orders	59	65	65	68	45	89	13
Executive staff	20	28	24	28	4	—	13
Skilled factory staff	40	44	42	41	55	45	14
Manual Labour	10	12	14	19	—	22	40
Components	5	5	2	4	—	—	—
Raw materials	7	7	3	4	—	—	—
Production capacity (plant)	10	11	11	11	4	—	13
Others	12	12	4	10	—	22	6
Labour disputes	26	22	24	30	41	45	66
No answer/no factor	1	1	1	1	18	—	—

LABOUR REQUIREMENTS (Weighted by employment)

Those expecting their labour force over the next 12 months to:	4 monthly moving total: May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	August 1978: Eng'g. (non-elec.) %	Brews. & Distills. %	Paper %
Increase	19	16	24	29	34	—	4
Stay about the same	63	67	56	52	49	100	44
Decrease	18	17	20	19	17	—	52

CAPITAL INVESTMENT (Weighted by capital expenditure)

Those expecting capital expenditure over the next 12 months to:	4 monthly moving total: May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	August 1978: Eng'g. (non-elec.) %	Brews. & Distills. %	Paper %
Increase in volume	63	62	62	54	70	69	16
Increase in value but not in volume	9	9	8	5	—	—	25
Stay about the same	12	10	9	11	25	31	56
Decrease	13	16	18	28	5	—	3
No comment	3	3	3	2	—	—	—

COSTS

	4 monthly moving total: May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	August 1978: Eng'g. (non-elec.) %	Brews. & Distills. %	Paper %
Wages rise by:							
5-9%	20	15	19	12	6	50	4
10-14%	69	72	64	66	80	34	90
15-19%	2	5	9	12	9	—	—
20-24%	—	—	2	2	—	—	—
No answer	9	8	6	8	5	16	6
Unit cost rise by:							
0-4%	8	8	5	—	—	—	3
5-9%	40	40	41	34	25	28	21
10-14%	33	39	43	52	66	11	40
15-19%	1	2	2	4	9	—	3
20-24%	1	—	4	3	—	—	6
Decrease	—	—	—	1	—	—	—
No answer	17	11	5	6	—	61	27

PROFIT MARGINS

Those expecting profit margins over the next 12 months to:	4 monthly moving total: May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	August 1978: Eng'g. (non-elec.) %	Brews. & Distills. %	Paper %
Improve	45	39	37	32	50	56	29
Remain the same	27	27	29	30	41	39	51
Contract	21	27	28	35	9	5	20
No comment	7	7	6	3	—	—	—

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest %	Interest payable	Minimum sum £	Life of bond Year
Barnsley Metro. (0226 203232)	11	½-year	250	5-7
Knowsley (051 548 6555)	11¼	½-year	1,000	5-7
Poole (02013 5151)	10⅞	½-year	300	5
Poole (02013 5151)	11¼	½-year	500	6-7
Redbridge (01-478 3020)	11¼	½-year	200	5-7
Thurrock (0375 5122)	11	½-year	300	4
Thurrock (0375 5122)	10⅞	½-year	300	3
Wrekin (0952 505051)	11¼	½-year	1,000	3-6

OVERSEAS MARKETS

INTERNATIONAL BONDS

BY MARY CAMPBELL

Accelerating rise for dollar interest rates

WITH the approach of the U.S. Labour Day long week-end, activity in the dollar sector of the international bond market was very low key at the end of last week. Both currency and interest rate considerations moved against dollar bonds earlier in the week, but prices fell only slightly.

In the Deutsche Mark sector, there was substantial demand for bonds but dealers said that in contrast to previous similar periods this did not arise from speculative currency considerations. The big factor in the market, apparently, was the September 1 coupon payment date and reinvestment increased demand for bonds above what it would otherwise have been.

Bankers, borrowers and investors returning from holiday in the next couple of weeks will be faced with an even more confused situation than when they went away. Dollar interest rates have risen and, if the developments last week mean anything, may be expected to rise further. But there is nothing new about that. Throughout the summer even the most bullish of analysts of the fixed interest rate markets have argued only that rates were *close* to their peak—never *at* their peak and few thought that they would start to fall before the end of the year.

On the other hand, recent developments do suggest that U.S. policy makers are likely to put greater emphasis on U.S. interest rates as a weapon to combat further decline in the dollar than was the case previously. The moves by the Federal Reserve last week to eliminate reserve requirements on U.S. borrowing from abroad (particularly borrowing by the U.S. banks) together with Chairman Miller's recent well-publicised expressions of distaste for the "awful lot of dollars sloshing around" in the international market have led some analysts to assume greater awareness of the high level of U.S. capital exports.

Although the rate is thought to have declined recently, U.S. capital exports were massive and considerably larger than the current account deficit at times in the last 18 months.

The moves by the Fed to remove reserve requirements only become meaningful if U.S. interest rates move above Eurodollar rates and remain so for some time (U.S. banks are in aggregate large-scale net lenders to their overseas branches at present, and the reserve requirements would operate only if they became net borrowers). This has made some argue that substantial further U.S. rate rises are now more likely than would have been the case a few weeks ago.

Among individual issues offered last week, among the most interesting was the Bank of America's SwFr 80m offering. The coupon level is a new low even for this market, which seems now to have got over problems of demand following the imposition of the quota rule requiring 65 per cent of foreign bond issues to be placed within Switzerland.

Almost more important, however, is the fact that B of A is the third top U.S. bank to launch into issues in "strong" currencies in recent months—at a time, interestingly, when many U.S. and other companies have been prepaying heavily.

Although the issue is aimed to fund the bank's Swiss franc denominated assets, its move—which is expected to be followed at some stage by a D-mark offering—is interesting in that it adds yet another name to the growing list of those top quality borrowers who clearly believe that the interest rate differentials between dollars and Swiss francs will not be eroded by currency changes over a 15-year timespan. The World Bank is the most notable example of this philosphy—it has even been anticipating later funding requirements by borrowing in Swiss francs and other "strong" currencies.

The European Investment Bank's Tokyo/Europe dollar issue has now closed. However, the placing process has not yet been completed in Tokyo where the offering period is still on. The European tranche was handled as a private placement with no underwriting group so that trading is expected to be minimal.

At the end of this week, Panama is due to launch a 20m unit of account issue, the first since early July. It is expected to offer an 8½ per cent. coupon on a 15-year maturity (12-year average life) Kredietbank Luxembourgeoise will be lead manager.

Also reported is a DM20m private placement for Barlow Rand, via Commerzbank.

BONDTRADE INDEX AND YIELD

	September 1		August 25		1978 High	1978 Low
Medium term	98.93	8.88	98.92	8.89	99.84 (19/4)	98.88 (23/8)
Long term	92.91	8.76	92.90	8.77	94.07 (19/4)	92.58 (29/6)

EUROBOND TURNOVER
(nominal value in $m)

	U.S. dollar bonds last week	U.S. dollar bonds previous week	Other bonds last week	Other bonds previous week
Euroclear	901.4	1,090.6	220.2	294.5
Cedel	370.9	423.1	184.9	167.4

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life Years	Coupon %	Price	Lead manager
U.S. DOLLARS						
‡¶¶EIB	100	1990	¶	9	99¾	Nikko Securties, CSFB
‡††FRAB Bank	25	1986	8	6½‖	100	Société Générale
						Citicorp Int., Den norske Creditbank
A/S Eksportfinans	50	1986	6	9	*	Goldman Sachs
††Finland	100	1988	10	*	*	Salomon
Hospital Corp. America	25	1983	5	9	*	European Banking, BTI
†Enpetrol	25	1986	8	7‖	*	
D-MARKS						
‡§Casio Computer	40	1985	—	3½	100	Dresdner Bank, Daiwa
**Crédit National	100	1983	5	5¾	99½	Commerzbank
Australia	200	1988	10	6	*	Deutsche Bank
‡**Ind. Min. & Dev. Bank of Iran	50	1984	6	7¾	100	Bay Vereinsbank
§Asahi Optical	50	1987	—	3¼	100	WestLB
§Stanley Elect.	40	1985	—	3¼	*	Dresdner Bank
Petrobras	100	1988	8	7	*	WestLB
EIB	250	1990	9.6	6½	100	Deutsche Bank
SWISS FRANCS						
‡BNDE	75	1988	n.a.	5	100½	Crédit Suisse
‡World Bank	250	1988	n.a.	4	100	Crédit Suisse
City of Vienna	100	1993	n.a.	4	*	Kredietbank (Suisse)
Bank America Corp.	80	1993	n.a.	3¾	*	UBS
YEN						
‡ADB	15bn	1988	10	5¾	100	Daiwa, Deutsche, S. G. Warburg
LUXEMBOURG FRANCS						
‡Swedish Invest. Bank	500	1988	8	8	99.5	Kredietbank Lux.

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ‖ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase fund. ¶¶ $80m registered with Japanese Ministry of Finance.
Note: Yields are calculated on AIBD basis.

Wool Board to buy computer

THE BRITISH Wool Marketing Board has ordered a £70,000 British-made computer system to handle its financial and administrative operations.

The system, manufactured by Computer Technology, of Hemel Hempstead, will be used to ensure prompt payment to the 90,000 UK wool producers by the Bradford-based board, which is responsible for marketing practically all the fleece wool produced in the country.

New fog lamp rules studied

REGULATIONS LAID before Parliament concern the fitting and use of high intensity rear fog lamps on new and existing vehicles.

They provide that, with certain exemptions, motor vehicles and trailers manufactured on or after October 1 next year and first used on or after April 1, 1980, must be fitted with at least one but not more than two rear fog lamps.

Every such lamp must carry the appropriate approval mark.

Indices

NEW YORK - DOW JONES

N.Y.S.E. ALL COMMON

Sept. 1	Aug. 31	Aug. 30	Aug. 29	1978 High	1978 Low
58.54	58.55	58.48	55.38	59.26 (24/8)	48.37 (6/3)

Rises and Falls

	Sept. 1	Aug. 31	Aug. 30
Issues traded	1,902	1,873	1,876
Rises	843	636	802
Falls	636	837	672
Unchanged	424	400	402
New Highs	—	—	708
New Lows	—	—	582

MONTREAL

TORONTO

JOHANNESBURG

STANDARD AND POORS

NEW YORK

CANADA

GERMANY ◆

Sept. 1	Price Dm.	+ or —	Div. %	Yld. %
AEG	85	+0.9	—	—
Allianz Versich	494.5	+2.5	31.2	3.2
BMW	227	+3	28.09	6.2
BASF	140.8	+1.0	18.75	6.7
Bayer	145.3	+0.6	18.76	6.6
Bayer-Hypo	289	+1	28.12	4.9
Bayer Vereinsbk.	330	—1	18	2.7
Ciminor.Ned. wrts	142		—	—

JOHANNESBURG

MINES

Anglo American Corpn.	4.15	—0.05
Charter Consolidated	3.70	—0.02
East Driefontein	13.10	—0.05
Elsburg	2.29	—0.07
Harmony	7.35	—0.05
Kinross	8.75	—0.20
Kloof	11.15	—0.10
Rustenburg Platinum	1.72	—0.01
St. Helena	17.00	

AUSTRALIA

PARIS

Sept. 1	Price Frs.	+ or —
Rente 4½	738.0	+2.1
Afrique Occid'le.	424	—1
Air Liquide	323.1	+1.0
Aquitaine	520	—9
BIC	470.1	—2.9
Bouygues	855	+20

AMSTERDAM

COPENHAGEN ♣

STOCKHOLM

BRUSSELS/LUXEMBOURG

VIENNA

BRAZIL

TOKYO ¶

OSLO

SPAIN ▼

SWITZERLAND ◆

MILAN

HONG KONG

Securities Rand $U.S. 0.76½ (Discount of 33.7%)

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mgrs. Ltd. (a)
72-80, Gatehouse Rd., Aylesbury. 0296 5941

Abbey Capital	34.9	37.3	-0.2	4.22
Abbey Income	41.6	44.3	-0.3	5.76
Abbey Inv. Tst. Fd.	38.4	40.9	-0.6	4.34
Abbey Gen. Tst.	47.6	50.8	-0.2	4.10
Equitas Prog. Tst.	69.5	73.3	-0.4	3.89

Allied Hambro Group♥ (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	68.4	73.2	-0.3	5.20
Brit. Inds. Fund	66.0	70.6	-0.4	5.30
Grth. & Inc.	39.1	41.9	-0.1	5.01
Elect. & Ind. Dev.	35.9	38.4	-0.2	4.60
Allied Capital	75.8	81.2	-0.9	4.79
Hambro Fund	110.6	118.3	-0.5	4.82
Hambro Acc. Fd.	125.6	134.6	-0.7	4.28
Income Funds				
High Yield Fd.	73.9	79.1	-0.4	7.74
High Income	67.5	72.2	-0.2	6.72
A.H. Eq. Inc.	40.2	43.0	-0.3	6.98
International Funds				
International	27.7	29.7	.....	2.29
Pacific Fund	50.8	54.4	+0.4	1.86
Secs. Of America	56.9	60.9	-0.3	1.89
U.S.A. Exempt♦	96.7	101.8	-0.4	1.47
Specialist Funds				
Smaller Co.'s Fd.	39.4	42.2	-0.3	4.78
2nd Smlr. Co's Fd.	48.3	51.7	-1.3	4.60
Recovery Sits.	97.2	104.6	-0.2	5.16
Met. Min. & Cmdty.	43.3	46.3	-0.1	4.95
Overseas Earnings	60.4	64.7	-0.3	4.48
Expt. Smlr. Co's	243.7	256.5	-1.5	4.58

Framlington Unit Mgt. Ltd. (a)
5-7, Ireland Yard, EC4B 5DH. 01-248 6971

American	55.8	59.3	.....	1.10
Capital Tst.	134.6	142.8	.....	3.40
Income Tst.	115.4	122.5	.....	6.36
Int. Growth Fd.	126.0	134.0	.....	2.07
Do. Accum.	130.9	138.2	.....	2.07

Friends' Provdt. Unit Tr. Mgrs.♥
Pixham End, Dorking. 0306 5055

Friends Prov. Uts.	45.7	48.8	-0.3	3.93
Do. Accum.	59.8	63.8	-0.4	3.93

G.T. Unit Managers Ltd.♥
16, Finsbury Circus EC2M 7DD. 01-628 8131

G.T. Cap. Inc.	89.2	94.8	-1.7	3.40
Do. Acc.	109.9	116.8	-2.0	3.40
G.T. Inc. Fd. Un.	164.4	177.0	.....	8.30
G.T. U.S. & Gen.	147.7	157.3	-1.9	2.20
G.T. Japan & Gen.	350.4	369.0	+5.7	0.90
♦Gt. Pens. Ex. Fd.	143.2	149.2	.....	4.00
G.T. Int'l. Fund	150.8	160.4	.....	1.70
G.T. Four Yds Fd.	56.9	60.5	.....	7.20

G. & A. Trust (a) (g)
5, Rayleigh Rd., Brentwood (0277) 227300

G. & A.	34.4	36.7	-0.1	4.52

Gartmore Fund Managers ♥ (a)(g)
2, St. Mary Axe, EC3A 8BP. 01-283 3531

(b)American Tst.	31.0	33.3	-0.2	0.01
British Tst. (Acc.)	60.1	64.6	-0.4	2.87
Commodity Share	160.2	181.9	-1.2	2.87
Extra Income Tst.	25.3	27.2	-0.2	8.40
(b)Far East Trust	41.0	44.1	-0.2	0.57
High Income Tst.	60.8	65.4	-0.2	8.64
Income Fund	76.6	82.4	-0.4	5.91
Ins. Agencies	34.52	35.53	+0.36	2.84

Minster Fund Managers Ltd.
Minster Hse., Arthur St., EC4. 01-623 1050

Minster August 31	38.5	40.5	.....	5.38
Exempt August 31	100.7	104.7	.....	5.33

MLA Unit Trust Mgemnt. Ltd.
Old Queen Street, SW1H 9JG. 01-930 7333.

MLA Units	46.8	49.2	.....	3.65

Mutual Unit Trust Managers♥ (a)(g)
15, Copthall Ave., EC2R 7BU. 01-606 4803

Mutual Sec. Plus	51.9	55.7	-0.4	6.28
Mutual Inc. Tst.	72.1	77.1	-0.6	7.08
Mutual Blue Chip	46.6	50.3	-0.5	6.28
Mutual High Yld.	61.6	66.3	-0.4	8.20

National and Commercial
31, St. Andrew Square, Edinburgh 031-556 9151

Income Aug. 24	168.2	174.6	.....	5.29
(Accum. Units)	230.2	238.8	.....	5.29
Capt. Aug. 24	145.4	150.8	.....	3.15
(Accum. Units)	178.0	184.6	.....	3.15

National Provident Inv. Mngrs. Ltd.♥
48, Gracechurch St., EC3P 3HH 01-623 4200

N.P.I. Gth. Un. Tst.	49.7	52.9	.....	4.05
(Accum. Units)*	60.7	64.6	.....	4.05
NPI O'seas. Trust	135.2	143.1	.....	2.20
(Accum. Units)**	145.2	153.7	.....	2.20

**Prices on August 31. Next dealing Sept. 28.
*Prices on August 23. Next dealing Sept. 6.

National Westminster♥(a)
161, Cheapside, EC2V 6EU 01-606 6060.

Capital (Accum.)	67.8	72.9	-0.3	4.35

Provincial Life Inv. Co. Ltd.♥
222, Bishopsgate, E.C.2. 01-247 6533

Prolific Units	90.7	97.2	-0.4	3.62
High Income	120.7	129.3	-0.6	7.26

Prudl. Portfolio Mngrs. Ltd.♥ (a)(b)(c)
Holborn Bars, EC1N 2NH 01-405 9222

Prudential	133.0	141.0	-1.0	4.17

Quilter Management Co. Ltd.♥
The Stk. Exchange, EC2N 1HP 01-600 4177

Quadrant Gen. Fd.	112.8	117.6	.....	4.82
Quadrant Income	132.5	136.8	.....	7.73

Reliance Unit Mgrs. Ltd.♥
Reliance Hse., Tunbridge Wells, Kt. 0892 22271

Opportunity Fd.	72.2	77.2	.....	4.83
Sekforde T. (Acc.)	45.9	49.1	-0.2	5.50
Sekforde T. Inc.	44.7	47.8	-0.3	5.50

Ridgefield Management Ltd.
38-40, Kennedy St., Manchester 061 236 8521

Ridgefield Int. UT	104.0	111.0	.....	2.55
Ridgefield Income	96.0	103.0	.....	9.13

Rothschild Asset Management (g)
72-80, Gatehouse Rd., Aylesbury. 0296 5941

N.C. Equity Fund	178.1	189.4	-0.8	3.22
N.C. Engy. Res. Tst.	113.8	121.0	-0.4	2.48
N.C. Income Fund	155.1	165.0	-0.9	6.85
N.C. Intl. Fd. (Inc.)	92.9	98.8	-0.7	1.48
N.C. Intl. Fd. (Acc.)	94.1	100.1	-0.7	1.48

Save & Prosper continued
Scotbits Securities Ltd.♥

Schlesinger Trust Mngrs. Ltd. (a) (z)
140, South Street, Dorking.

J. Henry Schroder Wagg & Co. Ltd.♥

Crescent Unit Tst. Mgrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3. 031-226 4931

Cres. Amer. Fd.	27.2	29.2	-0.2	1.42
Cres. Internat'l.	61.7	66.2	-0.3	0.75
Cres. High. Dist.	45.3	48.6	-0.2	8.87
Cres. Reserves	41.2	44.2	-0.1	4.81
Cres. Tokyo	24.8	26.6	+0.1	1.96

Discretionary Unit Fund Managers
22, Blomfield St., EC2M 7AL. 01-638 4485

Disc Income	177.4	189.2	-5.4	4.87

E. F. Winchester Fund Mngt. Ltd.
Old Jewry, EC2. 01-606 2167

Great Winchester	18.4	19.9	.....	4.73
Gt. Winch'er O'seas	20.8	22.7	.....	3.92

Emson & Dudley Tst. Mngmnt. Ltd.
20, Arlington St., S.W.1. 01-499 7551

Emson Dudley Tst.	69.9	75.2	.....	3.80

Equity & Law Un. Tr. M.♥ (a)(b)(c)(z)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	70.3	74.0	-0.3	3.95

Mercury Fund Managers Ltd.
30, Gresham St., EC2P 2EB. 01-600 4555

Merc. Gen. Aug. 30	208.0	221.3	.....	4.15
Acc. Uts. Aug. 30	270.2	287.5	.....	4.15
Merc. Int. Aug. 30	70.8	75.3	.....	2.64
Acc. Uts. Aug. 30	76.3	81.2	.....	2.64
Merc. Ext. July 24	231.7	243.4	.....	4.32
Accm. Uts. July 24	283.8	296.6	.....	4.32

Midland Bank Group Unit Trust Managers Ltd.♥ (a)
Courtwood House, Silver Street, Head Sheffield, S1 3RD. Tel: 0742 79842

Commodity & Gen.	74.0	79.7	-0.6	4.90
Do. Accum.	85.4	91.9	-0.2	4.90
Growth	38.0	40.7	-0.1	2.78
Do. Accum.	40.8	43.7	.....	2.77
Capital	29.2	31.9	-0.2	2.98
Do. Accum.	32.8	34.1	-0.3	2.98
Income	54.6	58.4	-0.1	6.19
Do. Accum.	63.6	68.1	-0.2	6.19
International	48.0	51.9	-0.3	2.17
Do. Accum.	51.1	55.2	-0.3	2.17
High Yield	65.4	69.6	-0.3	7.77
Do. Accum.	68.3	73.8	-0.7	7.77
Equity Exempt*	108.1	114.1	.....	5.49
Do. Accum.*	108.1	114.1	.....	5.49

*Prices at July 31. Next dealing August 31.

CORAL INDEX: Close 496-501

INSURANCE BASE RATES

†Property Growth 10¼%
†Vanbrugh Guaranteed 9%
†Address shown under Insurance and Property Bond Table.

INSURANCE AND PROPERTY BONDS

OFFSHORE AND OVERSEAS FUNDS

J.E.T. Managers (Jersey) Ltd.
PO Box 194, Royal Tst. Hse., Jersey 0534 27441

Jersey Extral. Tst.	186.0	197.0	.....	—

As at July 31. Next sub. day August 31.

Jardine Fleming & Co. Ltd.
46th Floor, Connaught Centre, Hong Kong

Jardine Estn. Tst.	HK$311.95		2.30
Jardine J'pn. Fd.*	HK$409.75	.....	0.80
Jardine S.E.A.	$US19.82	...	1.70
Jardine Flem. Int.	HK$11.40	.....	—
Intl. Pac. Secs. (Inc.)	HK$14.56	.....	—
Do. (Accum.)	HK14.70	.....	—

NAV Aug. 15. *Equivalent $US84.01. Next sub. August 31.

Conv. Bd. Aug. 31	$US9.64		-0.01	—
Eng. Int. Aug. 31	$US18.71		+0.09	—
Gr. St. $Fd. July 31	$US7.53		.....	—
Merc. Ebd. Fd. Aug. 30	$US10.30	10.62	.....	0.2850

Warburg Invest. Mngt. Jrsy. Ltd.
1, Charing Cross, St. Helier, Jsy. C.I. 0534 73741

CMF Ltd. Aug. 31	$US13.3	13.68	+0.50	—
CMT Ltd. Aug. 31	£13.82	14.18	-0.65	—
Metals Tst. Aug. 17	£12.22	12.52	.....	—
TMT August 11	$US11.30	11.9	.....	—
TMT Ltd. Aug. 11	£11.40	11.69	.....	—

World Wide Growth Management♦
10a, Boulevard Royal, Luxembourg

Worldwide Gth. Fd.	$US16.79	-0.21	—

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

FT SHARE INFORMATION SERVICE

BONDS & RAILS—Cont.

Interest Due		Stock	Price £	Last xd	Div % Gross	Red. Yield
May 1		Hung. '24 Ass.	50	2.5	4½	5.99
30J	31D	Ireland 6½pc '83-88	66	30.5	—	12.70
10J	10J	Ireland 7⅞pc '81-83	83	12.6	7½	12.48
1M	1S	Do 9⅞pc '91-96	79¾xd	15.8	9¾	12.58
1J	1D	Japan 4pc '10 Ass.	385	1.6	—	—
30J	31D	Do 6pc '83-88	72	30.6	6	10.70
1A	1O	Peru Ass. 3pc	140	3.4	3	2.17
30J	31D	S.G.I. 6½pc 1980	75p	30.6	6½	8.67
May 1		Turin 9pc 1991	$94½	2.5	9	9.52
15A	15O	Turin 6½pc 1984	DM91	17.4	6½	8.80
1F.M.A.N.		Uruguay 3½pc	97	2.5	3½	3.60

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

Dividends Paid	Stock	£	Last xd	Div. Gross	Cvr	Y'ld Gr's
Apr. Oct.	ASA	19½	8.5	80c	—	2.0
September	AMF 5% Conv. '87	60½	15.9	5%	—	14.9
Ma.Ju.Se.De.	Amax $1	32⅝xd	4.8	$1.75	—	2.8
Ja.Ap.Jy.O.	American Express	26	3.7	$1.40	—	2.7
April	Amer. Medic. Int.	21	17.5	30c	—	0.7
December	Asarco Inc.	10½	3.5	40c	—	1.9
No.Fe.Ma.Au.	Baker Intnl. Corp. $1	2¾xd	1.8	64c	—	1.4
Mr.Ju.S.D.	Barnes Grp. $6⅔	17⅞	25.5	90c	—	2.6
D.Mr.Ju.SP.	Bendix Corp. $5	29¼	6.6	$2.28	—	3.9

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BANKS AND HIRE PURCHASE

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's	P/E
Dec. July	Hill Samuel	96	26.6	4.97	—	7.7	—
—	Do. Warrants	387	—	—	—	—	—
Sept. Mar.	Hong Shng $2.50	328	23.3	hQ59c	—	2.1	—
June Nov.	Jessel Toynbee	58	2.5	h3.32	—	8.5	—
Jan. June	Joseph (Leo) £1	200	18.7	8.74	—	6.5	—
Feb. Aug.	Keyser Ullmann	47	30.5	0.67	—	2.1	—
June Dec.	King & Shax 20p	62	15.5	3.44	—	8.3	—
May Nov.	Kleinwort B.L.	106	3.4	4.18	—	5.9	—
Aug. Apr.	Lloyds £1	260	24.7	†9.23	4.8	5.3	5.9

FOREIGN BONDS & RAILS

Interest Due	Stock	Price £	Last xd	Div % Gross	Red. Yield
—	Antofagasta Rly.	24	8.71	—	—
	Do. 5pc Pref.	41	30.5	—	—
	Chilean Mixed	98	3.7	—	£3.10
	German Yng. 4½pc	411	1.6	4½	—
	Greek 7pc Ass.	52	2.5	3½	£6.90
	Do 6pc '28 Stab Ass.	50	1.8	6	£6.04
	Do 4pc Mixed Ass.	42	3.4	4	£5.05

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FINANCE

DIAMOND AND PLATINUM

MINES—Continued

CENTRAL AFRICAN

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
Nov. May	Falcon Rh.50c	178	3.4	Q50c	1.3	24.0
May	Rhod'n Corp. 16½p	19	27.4	0.57	7.1	4.5
—	Roan Cons. K4	65	11.74	—	—	—
For Tanganyika see Tanks—Mines Finance						
Nov. May	Wankie Col. Rh 1	37½	17.4	†Q7½c	1.4	17.1
—	Zam.Cpr.SBD0.24	14½	11.74	—	—	—

AUSTRALIAN

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—	Acmex 25c	15	—	—	—	—
Nov. Apr.	Bougainville 50 Toea	134	14.3	†Q8c	1.4	3.7
—	BH South 50c	105	9.74	—	—	—
—	Central Pacific	425	—	—	—	—
Oct. May	Conzinc Riotinto 50c	314	14.3	‡Q10c	2.2	‡
—	Endeavour 20c	25½	—	—	—	—
—	G.M. Kalgoorlie $1	56	6.67	—	—	—
—	Haoma Gold N.L.	66	—	—	—	—
September	Hamptn Areas 5p	132	10.7	t3.55	2.0	4.0
—	Metals Ex. 50c	32	—	—	—	—
Dec. Apr.	M.I.M. Hldgs. 50c	204	13.2	Q9c	1.7	2.7
—	Mount Lyell 25c	31	—	—	—	—
—	Newmetal 10c	5	—	—	—	—
June Nov.	North B. Hill 50c	120	15.5	Q8c	φ	4.2
—	Nth. Kalgurli	15	—	—	—	—
—	Nth. West Mining	48	—	—	—	—
June Nov.	Oakbridge $A1	157	7.4	†Q11c	1.9	4.4
—	Pacific Copper	59	—	—	—	—
—	Pancont'l 25c	£14½	—	—	—	—
—	Paringa M&Ex. 5p	26	—	—	—	—
Apr. Oct.	Peko-Wallsend 50c	542	19.9	Q15c	φ	1.7
—	Southern Pacific	185	—	—	—	—
Oct. May	Westn. Mining 50c	143	3.4	Q3c	φ	‡
—	Whim Creek 20c	50	—	—	—	—

TINS

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
Nov. Apr.	Amal. Nigeria	26	13.3	2.55	1.6	14.6
Apr. Oct.	Ayer Hitam $M1	375	15.3	‡Q4b7c	0.9	‡
Apr. Oct.	Berait Tin	55	8.8	3.81	4.4	10.8
Jan. July	Berjuntai $M1	270	24.7	Q110c	φ	8.8
Feb. Oct.	Geevor	130	7.8	0.04	φ	5.8
—	Gold & Base 12½p	10½	10.74	—	—	—
June Dec.	Gopeng Cons.	315	17.4	15.23	0.9	7.3
—	Hongkong	210	11.67	—	—	—
May Nov.	Idris 10p	88	24.7	‡12.0	1.6	‡
—	Jantar 12½p	9	4.67	—	—	—
—	Kamunting $M0.50	81	—	Q12½c	φ	3.4
Jan. July	Killinghall	625	10.7	Q125	φ	20.0
April	Malay Dredging $M1	450	13.3	†Q95c	0.8	4.5
—	♦Pahang	78	9.75	‡Q3.75c	0.5	‡
Mar. Sept.	Pengkalen 10p	78	12.6	6.60	1.3	12.6
June Jan.	Petaling $M1	270	12.6	†Q80c	1.6	6.8
Mar. Oct.	Saint Piran	57	3.1	2.05	φ	5.4
February	South Crofty 10p	57	10.7	4.19	2.0	11.0
Jan. July	South Kinta $M0.50	232	3.1	Q70c	φ	6.9
June Jan.	Sthn Malayan $M1	320	5.9	‡Q133c	1.1	8.8
—	Sungei Besi $M1	235	26.6	Q65c	φ	5.9
—	Supreme Corp. $M1	80	9.74	ZQ10c	—	2.7
May Nov.	Tanjong 15p	90	24.7	6.60	0.8	10.9
Sept. Mar.	Tongkah Hrbr. $M1	90	12.12	‡Q56.8c	1.6	‡
Apr. Oct.	Tronoh $M1	240	15.3	ZQ88c	1.6	7.9

COPPER

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
June Dec.	Messina R0.50	86	12.12	‡Q30c	1.9	‡

MISCELLANEOUS

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—	Barymin	52	—	—	—	—
—	Burma Mines 17½p	13	5.75	—	—	—
Aug. Feb.	Cons. Murch. 10c	235	3.1	‡Q30c	2.6	‡
November	Northgate C$1	350	30.9	—	—	—
Jan. June	R.T.Z.	232	2.5	9.5	2.9	6.1
—	Sabina Inds. C$1	53	—	—	—	—
—	Tara Exptn. $1	875	—	—	—	—
Nov. July	Tehidy Minerals 10p	62	2.5	♦1.35	φ	3.0
October	Yukon Cons. C$1	158	15.9	Q7c	2.9	2.1

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ∆ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- φ Figures or report awaited.
- †† Unlisted security.
- ¤ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend, cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¥ Excluding a final dividend declaration.
- ÷ Regional price.
- II No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend, cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend, cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

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Albany Inv. 20p	25	......
Ash Spinning	46	+1
Bertam	20	......
Bdg'wtr. Est. 50p	311	−3
Clover Croft	26	......
Craig & Rose £1	520	......
Dyson (R. A.) A.	38	......
Ellis & McHdy.	63	......
Evered	24	+2
Fife Forge	49	......
Finlay Pkg. 5p	21	......
Graig Ship £1	120	......
Higsons Brew.	77	......
I.O.M. Stm. £1	155	......
Holt (Jos.) 25p	260	......
Nthn. Goldsmith	67	......
Pearce (C. H.)	165	......
Peel Mills	20	......
Sheffield Brick	44	−1
Sheff. Refrshmt.	63	......
Sindall (Wm.)	105	......

IRISH

Conv. 9% '80/82	£91⅞	......
Alliance Gas	62	......
Arnott	360	......
Carroll (P.J.)	105	......
Clondalkin	87	−3
Concrete Prods.	135	......
Heiton (Hldgs.)	48	......
Ins. Corp.	160	......
Irish Ropes	130	......
Jacob	63	......
Sunbeam	33	......
T.M.G.	165xd	−5
Unidare	110	......

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Barclays Bank	25
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Grand Met.	9
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Lloyds Bank	22
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Lonrho	5
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Plessey	8
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Thorn	22
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Utd. Drapery	7½
Vickers	15
Woolworths	5

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Peachey	8
Samuel Props.	9
Town & City	1¼

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Charterhall	3
Shell	28
Ultramar	20

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FINANCIAL TIMES
Monday September 4 1978

Rhodesia hopes hit by Nkomo statement

BY OUR OWN CORRESPONDENT

LUSAKA, Sept. 3.

THE SECRET Rhodesian peace initiative, supported by Dr. David Owen, the Foreign Secretary, has ben thrown into disarray by the week-end's disclosure that Mr. Joshua Nkomo last month met Mr. Ian Smith, the Rhodesian Prime Minister, here.

Western diplomats indicated today that the initiative, cloaked in secrecy, had been viewed as a chance for peace that could succeed only in privacy without public position-taking by the parties.

Mr. Nkomo said here yesterday that he had met Mr. Smith in mid-August in the presence of Brigadier Joseph Garba, Nigeria's former Foreign Minister. Nigeria had been instrumental, too, in explaining the secret initiative to Mr. Robert Mugabe, co-leader of the Patriotic Front guerrillas who, Mr. Nkomo insists, was not present at the talks.

Western diplomats today defended the secret initiative. "It was a chance for peace and could not be ignored," a U.S. diplomat said. He agreed that he and his British colleagues were under strict orders to deny all knowledge of the talks.

Western diplomats had been hoping that Mr. Smith would agree to a handover of at least titular power in the Salisbury Executive Council to Mr. Nkomo, accepting under duress that Mr. Mugabe be brought in under Mr. Nkomo's aegis in a unified Patriotic Front.

However, disclosure of the secret talks — at which Mr. Nkomo says he insisted that Mr. Mugabe be included in any settlement and that any deal provide for the abolition of the present political system — brought the process to a halt.

According to Mr. Nkomo, the secret talks were held with the foreknowledge of Zambia and Nigeria, but the "frontline" States were informed only later, as was Mr. Mugabe. Mr. Nkomo denied reports that Mr. Mugabe attended the talks briefly.

The overriding impression to emerge is that Dr. Owen has found it impossible to play a latter-day Kissinger in southern Africa. Western sponsorship of the clandestine meeting has only contributed to accentuating black African divisions.

● The week-end meeting of the Presidents of Angola, Botswana, Mozambique, Tanzania and Zambia—the main African sponsors of the Patriotic Front—brought into sharp focus the differences between them.

President Julius Nyerere of Tanzania was believed to have led the opposition to the Zambian - backed initiative, arguing that it had been a unilateral move that did not guarantee the dismantling of the present regime in Rhodesia.

The meeting seemed to have been stormy. Journalists gathered on the rear porch of President Kaunda's lodge where the talks were held outside Lusaka, could clearly hear the raised voices of Mr. Nkomo and President Nyerere.

On his return to Dar Es Salaam President Nyerere said nothing was achieved at the Nkomo-Smith meeting.

The "frontline" Presidents had come "to a clear and unanimous conclusion that Mr. Smith has no intention whatsoever to hand over power. Mr. Smith's intention is clearly to try to divide the Patriotic Front and, if possible, to divide the frontline states also."

President Nyerere claimed that during the secret talks, Mr. Smith offered to drop all three black leaders who have joined the Rhodesian Executive Council if, in turn Mr. Nkomo would break with Mr. Mugabe and return to Rhodesia.

Mr. Smith then proposed a second meeting at which Mr. Mugabe and Chief Jerimiah Chirau, one of the executive council members, would be present.

President Nyerere said that Mr. Smith proposed not including the other two executive council members — Bishop Abel Muzorewa and the Rev. Ndabaninge Sithole.

"Smith has destroyed the Bishop and Sithole. He's ready to dump them and now he's looking for others," President Nyerere said.

Smith in search of best option, Page 2

Japan Budget aims at 1.3% rise in GNP

BY CHARLES SMITH

TOKYO, Sept. 3.

A Y2,500bn (£6.7bn) package of economic measures designed to raise the gross national product by 1.3 per cent and fulfil promises made at the Bonn economic summit was approved yesterday by a committee of economic Ministers of the Japanese Cabinet.

The committee reaffirmed Japan's overall growth target for this fiscal year at 7 per cent and gave a revised and increased estimate of the probable current account surplus for the year.

This has been set at Y2,700bn, a decline of 24 per cent from the Y3,500bn surplus actually recorded in the 1977 fiscal year, but roughly the same as the 1977 surplus, if the figure is converted into dollars at the current exchange rate.

Mr. Isamu Miyazaki, an official of the Economic Planning Agency, said that the Government had decided to publish its balance-of-payments projections in yen instead of dollars because most other countries publishing similar forecasts used their own currencies, and because the difficulty of predicting the dollar exchange rate made dollar-denominated forecasts almost worthless.

The Y2,500bn package includes Y300bn-worth of expenditure for general public works, Y840bn for housing, and Y320bn for local government.

After subtracting cost of buying land for new projects, and allowing for delays, the Government believes that the direct contribution of the package to the GNP in the current fiscal year will be slightly less than Y1900bn.

Addition of "multiplier effects"—additional Government spending on the private sector—brings the value of the package in GNP terms back to an estimated Y2,350bn or 1.2 per cent of GNP

An additional 0.1 per cent GNP growth is expected from increased investments in electric power.

The Government thus estimates that the overall impact of the measures will be to produce 1.3 per cent more GNP growth.

Apart from the Y2,500bn package and the planned increase in electric power investment, the Government has announced plans to:

● Carry out $4bn worth of "emergency imports" in the rest of the 1978 fiscal year. the imports will include advanced payments for nuclear fuel shipments; buying back ships chartered under flags of convenience; buying aircraft to lease to foreign airlines; and oil imports.

● Step up measures to assist depressed regions and industries, including Government funds to help scrapping or freezing capacity in 12 designated industries.

● Increased foreign aid for the rest of the fiscal year. No official figure is available, but reports suggest that Y26bn more may be allocated.

● Promote return to consumers of windfall foreign exchange profits from electricity generating.

● Formulate a medium-term economic development plan covering the years up to 1985, with special emphasis on the next three years.

THE LEX COLUMN

The key decisions for Ferranti

This week's prospectus from Ferranti prior to its stock exchange listing later in the month will make interesting reading on a number of counts. Since the Government came to its rescue three years ago, Ferranti has made a dazzling recovery and has transformed itself from a lame-duck into a star performer in the defence electronics industry which is reckoned to be growing at a rate of over 30 per cent per annum in real terms.

Compared with losses of £0.5m in 1974-75, Ferranti made pre-tax profits of £9.1m in the year to March 1978 and should make between £11m and £12m in the current year. Brokers Kemp Gee are projecting 30 per cent per annum earnings growth for Ferranti over the next few years.

Setting price

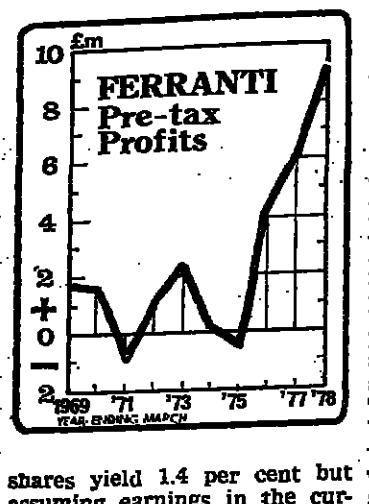
However, Ferranti's success has caused a few headaches, not the least of which concerns the problem of fixing a price for the 1.3m NEB non-voting shares which, under the subscription agreement, have to be offered to existing shareholders once the listing has been completed so that the NEB's stake can be reduced to 50 per cent.

Under the original arrangements Ferranti had to wait 10 dealing days after the full listing, and provided the shares traded above 150p the NEB would then sell the 1.3m shares to other Ferranti shareholders at a price of £1 plus half the excess of the average quotation (during the 10 days) over 200p.

This complicated formula looks pretty unworkable since there is no guarantee that the shares, which are narrowly held, will trade at a fair and reasonable price during the 10-day period. So it could be that the NEB and Ferranti have agreed a price between themselves. But given the number of interested parties involved this will have proved tricky, especially since the deal is also supposed to take into account any compensation for the £10m losses on the transformer side.

The NEB will be pushing for as high a price as possible, while other Ferranti shareholders will want the opposite.

As the company will be free from dividend restraint for two years following the listing, one to the key details in the prospectus in relation to the future Ferranti share price will be any statement on dividend policy At the suspension price of 470p the



shares yield 1.4 per cent but assuming earnings in the current year of around 50p and a dividend cover of 3½ times the company could afford to pay out maybe 14-15p.

This would mean that Ferranti shares at 470p would yield just under 5 per cent and be selling on 11 times historic earnings. To put this in perspective Decca and Racal (which operate in related areas) sell on historic multiples of 14 and 13 and yield 3.3 per cent and 1.9 per cent respectively. Given the enthusiasm for high growth electronics shares Ferranti and its various advisers may be thinking more in terms of a share price of between £5 and £6. However, if the NEB which has already trebled its money on its Ferranti stake, pushes for too high a price, it could sour Ferranti's stock market debut.

BCCI

It is highly unusual for two international banks to get involved in a public argument about bad and doubtful debt reserves, but that is what happened last week to the Bank of Credit and Commerce International and Bank of America (which is still a substantial, though declining, shareholder in BCCI). According to BCCI's statement its loan loss reserves —not disclosed in the published balance sheet—amounted to $5.5m on December 31, 1977. BCCI accepted that according to Bank of America's confidential bad debt formula a further sum of $13m was indicated to be set aside. But it argued that Bank of America's formula was "highly conservative and meant only for internal disciplines." BCCI did not consider it necessary to maintain such reserves, but went on to point out that it had "created a general reserve of $18m as reflected in the balance sheet."

It is certainly true to say BCCI substantially expanded its capital base last year from $50m to almost $11[illegible] by means of a rights issue of [illegible] a capital notes issue of [illegible] and profit retentions. But there is an important distinction between general reserves and loan loss reserves in that the latter are maintained or augmented out of charges against profits. The former, in contrast, are topped up by means of appropriations out of profits. The distinction is far from being academic, for it means that a rapidly expanding bank will only be able to maintain a high loan loss reserve by making heavy charges against profits.

Loan reserves

Had BCCI been trying to maintain a loan loss reserve of 1.85 per cent of loans, as indicated by the Bank of America formula, it would have needed to provide an extra $3.8m and this would have cut its reported profits by more than a fifth. But Bank of America last Friday came out with a statement that BCCI's loan reserve had "been established in accordance with prudent risk management practices." This appeared to mean that the provisions were adequate—although the bank did not repudiate the formula drawn from its confidential credit review files, pointing out only that this represented "the judgment at the time of the bank officer making the review." This judgment had been leaked to a lawyer acting for Financial General Bank Shares, a U.S. bank holding company currently resisting a takeover attempt by BCCI.

So it is all largely a matter of opinion. The British clearing banks, for comparison, maintain general provisions for doubtful debts of somewhere between 1 and 1½ per cent of advances, while Bank of America's own reserve is 1.[illegible] per cent of loans. BCCI's loss reserve, after the two-fifths growth in advances during 1977, appears to be just 0.55 per cent. Different banks, of course, may encounter different levels of risk. But the unanswered question is how BCCI, a bank which has grown from nothing to one with loans of over $[illegible] in seven years, can be expected to have a bad debt experience only 65 per cent of that of the biggest bank in the world.

Wilson Ministers deny knowing oil sanctions were broken

BY RICHARD EVANS, LOBBY EDITOR

TWO MINISTERS in Sir Harold Wilson's Cabinet who were closely concerned with the operation of sanctions against Rhodesia yesterday denied all knowledge of sanction-breaking by major British oil companies.

Mr. Arthur Bottomley, Commonwealth Secretary when sanctions were imposed, and Lord Lee, who as Mr. Fred Lee was Minister of Power, both said they were told nothing of any sanction-breaking arrangements by BP and Shell following the illegal declaration of independence in Rhodesia by Mr. Ian Smith.

Their statements, made in interviews on BBC radio, support Sir Harold Wilson's declaration that he received no reports of British companies continuing to send oil supplies in defiance of U.K. sanctions legislation and the United Nations blockade.

But they conflict with an admission made recently by Lord Thomson of Monifieth, who succeeded Mr. Bottomley as Commonwealth Secretary, that the Government received information from the companies that oil supplies were going into Rhodesia.

The conflicting evidence is leading to mounting pressure from MPs for a further inquiry to be set up to investigate whether Ministers and senior civil servants knew of the alleged sanction-breaking — and if they did not, why not.

Ministers at the time, including both Sir Harold and Sir Alec Douglas-Home, Foreign Secretary in Mr. Heath's administration, are insisting either that they did not know or were "hoodwinked" by the oil companies, but these explanations are unlikely to satisfy many MPs.

Although it is accepted by Ministers that a further inquiry might have to be set up, nothing will be done before publication of the Bingham report in a few weeks time.

Reaction to the report on the supply of oil to Rhodesia — which followed a detailed investigation by Mr. Thomas Bingam, QC — will be studied by Ministers before a decision on further action is taken.

Although the whole subject of sanction-breaking by major British companies is acutely embarrassing to Ministers, it is not expected to blow up into a party political issue during an autumn election campaign.

Evidence given by BP to the Bingham inquiry is claimed to show that the company, with Shell, was breaking sanctions during Mr. Heath's administration as well as Sir Harold's, and Tory Ministers presumably had an equal opportunity to discover what was going on.

Following earlier calls for an inquiry to be set up, Mr. Dennis Canavan, Labour MP for Stirlingshire West, yesterday wrote to Mr. Michael Foot, Leader of the Commons, asking him to set up a Parliamentary Select Committee which would meet in public to investigate the role of Ministers and civil servants.

Britain may turn to U.S. if French block Airbus plans

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

LORD BESWICK, chairman of British Aerospace, made clear today that if French objections prevented the UK from rejoining the Airbus Industrie consortium o na formal basis—to help develop the A-310 airliner, the UK group would be obliged to reconsider collaborating with the U.S.

Speaking at the Farnborough Air Show, which opened yesterday, Lord Beswick made it clear that he wanted more than anything else to join Airbus Industrie to help develop the A-310, in addition to continuing to make the wings of the B-2 and B-4 versions of the already highly successful A-300 versions of the aeroplane.

But, he said, with heavy military aircraft and missile business, and other major civil programmes on hand, such as the 146 feeder liner, the UK aerospace group had a heavy work load.

It was far from being dependent on the A-310, as had been suggested in some quarters.

"But we now want a share in tomorrow's medium-range-schedule airliner business. We considered very carefully the options that were open.

"We decided that the best prospects were offered by becoming a full partner in Airbus Industrie.

"After much discussion and quite intensive negotiation, we reached an agreement which was initialled with Aerospatiale and Deutsche Airbus just over a fortnight ago. That agreement covered all aspects of collaboration

"It is subsequent to that agreement that the French Government expressed their concern that the proposed entry into Airbus Industrie of one British nationally-owned corporation (British Aerospace) should coincide with the announcement that another nationally-owned corporation (British Airways) would help launch a potential competitor aircraft (the Boeing 757).

"We understand the French concern. Nevertheless we hope that on the basis of assurances given about further purchases the French Government, together with the German Government, will do what the UK Government has already done, and approve the agreement.

"Should our expectations in that direction not be fulfilled, the financial strength and technical resources of British Aerospace will be placed behind alternative possibilities.

"We have a total order book of £2.5bn and 69 per cent of it is for the export market, which is not a bad base for further progress."

It is understood that British Aerospace hopes that this week intensive diplomatic discussion between the British, French and West German Governments will end French opposition to a formal resumption by Britain of membership of Airbus Industrie.

Lynton McLain writes: Rolls-Royce had no choice but to stay with U.S. aircraft makers if it was to survive as one of the big three aero-engine makers in the world, Mr. Ralph Robins, commercial director, said at Farnborough yesterday.

He said 80 per cent of the world's civil aircraft were made in the U.S. This clearly had to be Rolls-Royce's main market for future engine developments.

The company's link with Boeing on the new 757 airliner would help restore lost prosperity.

Editorial comment, Page 10

European plastics producers likely to seek price rises

BY KEVIN DONE

WEST EUROPEAN plastics producers, faced with mounting losses, are expected to launch a new initiative at the beginning of next month to push up prices for low density polyethylene, one of the most widely used commodity plastics.

Dow, one of the major U.S. chemical companies, and a leading producer of low density polyethylene in Western Europe, is heading the latest price initiative with a 15 per cent price increase planned for all types of LDPE on October 1.

Mr. Bernard Sutch, Dow marketing manager for LDPE, said he expected the move to be supported by all the other big producers.

Imperial Chemical Industries, the largest producer of this plastic in the UK, welcomed Dow's action, but said it would wait for a few days to see if the new price range would hold. If the prices did stick, it would certainly follow suit.

At today's prices of about DM 1.00 to DM 1.05 a kilo, West European chemicals producers are losing about £175m a year on low density polyethylene production alone, said ICI.

Even with a 15 per cent increase to a level of DM 1.27 a kilo producers will still have a long way to go before they stop incurring losses on this product. ICI put the break-even point at about DM 1.40 per kilo.

If this latest initiative holds prices in the UK will go up from about £285-£310 a tonne to £330 a tonne.

Plastics producers have already tried twice to raise LDPE prices this year, but both attempts have failed to stick.

In March, prices moved up to DM 1.38 per kilo following a move by CDF Chimie. They held at this level for a few weeks before the slide began, but by the end of August they had fallen right back to as low as DM 1.00 in some deals in West Germany.

Producers are plagued by overcapacity. Most are operating at only about 72-78 per cent of capacity and more plants are due to come on stream in Western Europe before the end of the year.

Total Western European capacity is about 5.2m tonnes, while demand, including deep-sea exports, has reached only about 4.1m tonnes this year.

Demand growth rates of 10 to 12 per cent in the early 1970s have been more than halved since 1975. In the first half of this year demand was only 2½ per cent up on the first six months of 1977.

To make matters worse, CDF Chimie is bringing a 120,000-tonnes-a-year plant into production in France in the next few months; Saga Petrokjemi is starting up a 110,000 tonnes a year plant in Norway; and the 110,000 tonnes a year Union Carbide plant in Belgium, which was destroyed by an explosion three years ago, is also expected back on stream this month.

Continued from Page 1

TUC stays loyal

ment and help ensure its re-election.

Although the Prime Minister has still to make up his mind on election timing, according to his close colleagues, the speech should give an indication of whether he favours early October or the gamble of trying to hold on until next spring. A final judgment will await the results of various public and party opinion polls expected this week.

If these show that Labour is pulling ahead of the Conservatives there is little doubt that Mr. Callaghan will choose an autumn election, probably October 5.

Most Ministers now believe it would require startlingly bad news to persuade Mr. Callaghan to try to retain power for a further six months in the face of possible economic and industrial difficulties

Even those Ministers who favour delay acknowledge the problem of securing a Parliamentary majority for the Queen's Speech at the end of October and in subsequent Parliamentary divisions that would be engineered by the Conservatives to secure the support of minority parties.

Following his TUC speech Mr. Callaghan will canvass the views of Ministers at a Cabinet on Thursday, the first to be held since the Parliamentary recess began.

He will then travel to Balmoral at the wekend for a meeting with the Queen and the assumption remains that be will advise on the date of the election.

An October 5 poll would mean an announcement next week, probably on September 13, cutting the Liberal Assembly to two days but allowing Mr. David Steel, the Liberal Leader, time for a campaiguing speech.

EEC currency talks resume

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

AN ATTEMPT will be made this week to produce detailed proposals about how the suggested EEC currency stabilisation scheme would work in practice.

The EEC Monetary Committee is due to meet in Paris on Wednesday and Thursday to select a generally acceptable plan for consideration by the Finance Ministers in a fortnight's time in mid-October, in preparation for the Heads of Government summit in early December.

This meeting is being held in Paris rather than Brussels, the usual venue, because some of the senior officials present will also be attending other important discussions in the city on Thursday and Friday on world liquidity questions.

The Monetary Committee's meeting will be the third since the Bremen summit, in July, called for further study of the currency stabilisation plan. If the original timetable is to be adhered to this weeks talks will have to go beyond merely identifying a series of options and problems, as has occurred so far.

The discussions have involved a two-level process of listing various options in terms of their feasibility and also measuring them against the objectives set at Bremen.

There has been no marked agreement so far in several important areas. These are:

1—The exchange rate mechanism. The Bonn Government favours what is known as a parity grid arrangement similar to the present EEC snake scheme, under which member countries' exchange rates are directly related to each other. But most other countries, including the UK, favour the relation of parities to a European basket of currencies, which would allow greater flexibility within the EEC.

2—The constitution of the proposed European Monetary Fund, in particular the balance between conditional and unconditional drawings and the obligations of the various economies.

3—The nature of intervention by the Fund, especially the question of how far it should act as a semi-independent EEC central bank and what currencies it should use.

Britain is likely to be represented by Mr. Nick Jordan-Moss, a Treasury deputy secretary, although Mr. Ken Couzens, Second Permanent Secretary in charge of overseas finance, may also be involved since he will be in Paris for the other meeting —the Group of Ten Deputies, being held under the auspices of the Organisation for Economic Co-operation and Development.

The Group of Ten meeting has been arranged in preparation for the International Monetary Fund's annual meeting, in Washington, later this month.

It is highly likely that the problem of the dollar will be discussed, although significant initiatives are not expected because of disagreements about the nature of the U.S.'s problems.

However, the indications that the U.S. is considering a drawing from the IMF makes the meeting more significant since it is intending anyway to undertake preparatory talks before the IMF meeting, especially about the Fund's resources.

Weather

UK TODAY

MOSTLY DRY; sunny periods.

London, S.E. and Cent. S. England, E. Anglia, Midlands E. and W., Channel Is.
Mostly dry, sunny periods. Max. 19C (66F).

E., N.W., Cent. N. and N.E. England, Lake District, Isle of Man, Borders, S.W. Scotland, Glasgow, Argyll, N. Ireland
Rather cloudy, some rain. Max. 16C (61F).

S.W. England, S. and N. Wales
Mostly dry, cloudy at times. Max. 17C (63F).

Edinburgh, Dundee, Aberdeen, Cent. Highlands, Moray Firth, N.E. and N.W. Scotland, Orkney, Shetland
Variable cloud, sunny intervals. Max. 16C (61F).

Outlook: Mostly dry. Near normal temperatures.

BUSINESS CENTRES

	Y'day midday	°C	°F		Y'day midday	°C	°F
Amsdm.	S	16	61	Luxemb'g	C	14	57
Athens	S	26	79	Madrid	F	27	81
Barcelona	S	30	86	Manchester	C	17	63
Belfast	R	15	59	Melbourne	F	13	55
Belgrade	F	21	70	Mexico C.	C	19	66
Berlin	R	14	57	Montreal	C	25	78
Brmghm.	C	17	63	Moscow	C	14	57
Bristol	F	17	63	Munich	F	14	57
Brussels	F	17	63	Newcastle	R	12	54
B. Aires	S	9	48	New York	S	25	76
Cairo	S	32	89	Oslo	C	11	52
Cardiff	F	16	61	Paris	F	19	66
Chicago	S	25	[illegible]	Perth	R	15	59
Cologne	F	16	61	Rio de J'o	C	25	77
C'pnhagn	F	16	61	Rome	S	25	77
Dublin	C	17	63	Singapore	C	30	85
Edinburgh	R	12	54	Stockholm	R	11	52
Geneva	S	18	64	Sydney	C	16	61
Glasgow	R	14	57	Tehran	S	31	88
H. Kong	S	29	84	Tokyo	C	27	80
Jo'burg	S	18	64	Toronto	C	24	74
Lisbon	C	23	73	Vienna	C	18	64
London	S	19	66				

HOLIDAY RESORTS

	Y'day midday	°C	°F		Y'day midday	°C	°F
Biarritz	S	23	77	Isle of Mn	C	14	57
Blackpool	C	13	59	Jersey	F	17	63
Bordeaux	F	23	73	Las Plmas	S	25	77
Cape Town	C	14	57	Majorca	F	26	79
Florence	S	25	77	Malaga	S	30	86
Gibraltar	S	27	81	Malta	S	29	84
Guernsey	C	17	63	Nairobi	C	24	75
Innsbruck	S	17	63	Naples	F	25	77
Inverness	S	12	54	Nice	S	23	73
				Venice	F	21	70

S—Sunny. F—Fair. C—Cloudy. R—Rain.

Park 'scandal'

A DECISION to allow mining near the Peak National Park beauty spot of Lathkill Dale is described as "a national scandal" by Mr. Philip Whitehead, MP for Derby North and president of the Ramblers Association. Dresser Minerals has undertaken to restore the land.

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